

**City of Cleveland, Mississippi**  
Financial Statements  
September 30, 2008

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Clarksdale, Mississippi

# CITY OF CLEVELAND, MISSISSIPPI

## Table of Contents

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	10
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Fund Net Assets - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Assets and Liabilities	22
Notes to Financial Statements	23
REQUIRED SUPPLEMENTAL INFORMATION	41
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Basis) - General Fund	42
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Basis) - Economic Development and Tourism Fund	46
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Basis) - Baxter Bond Fund	48
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Basis) - Economic Development Revolving Fund	49
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Basis) - Special Industrial Project Fund	50
Notes to the Required Supplemental Information	51
OTHER SUPPLEMENTAL INFORMATION	52
Reconciliation of Tax Assessments to Fund Collections - 2007 Tax Rolls	53
Schedule of Certificates of Deposit	55
Schedule of Monthly Bond and Interest Requirements - General Obligation Bonds	56
Schedule of Long-term Debt	57
Schedule of Surety Bonds	58
Schedule of Expenditures of Federal Awards	59
Notes to Schedule of Expenditures of Federal Awards	60
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (Non-GAAP Basis) - General Bond and Interest Fund	61

STATISTICAL INFORMATION	62
Governmental Revenues by Source	63
Governmental Expenditures by Function	64
Property Tax Levies and Collections	65
Assessed Value of Taxable Property	66
Property Tax Rates	67
Special Assessment Billings and Collections	68
Computation of Legal Debt Margin	69
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	70
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total Governmental Expenditures	71
Computation of Direct and Overlapping Bonded Debt General Obligation Bonds	72
REPORTS SECTION	73
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Primary Governmental Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	76
Independent Auditors' Report on Compliance with State Laws and Regulations	78
Schedule of Findings and Questioned Costs	79
Auditee's Corrective Action Plan	82
Summary of Prior Audit Findings	84

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the fiscal year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cleveland, Mississippi's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2009, on our consideration of the City of Cleveland, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 and budgetary comparison information and corresponding notes on pages 23 through 40 are not a required part of the basic financial statements but are supplementary information required by the *Government Accounting Standards Board*. We have

applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However we did not audit the information and express no opinion on it.

The schedules in the statistical section on pages 62 through 72, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Cleveland, Mississippi. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cleveland, Mississippi's basic financial statements. The accompanying schedules in the other supplemental information section on pages 52 through 61, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Cleveland, Mississippi. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 of the City of Cleveland, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ellis + Hurst*

May 22, 2009

**CITY OF CLEVELAND, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2008**

Our discussion and analysis of the City of Cleveland's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2008. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Cleveland exceeded its liabilities at the close of the most recent fiscal year by \$36,762,815 (net assets). Of this amount \$7,838,582 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The remaining net assets of the City include: \$20,322,900 invested in capital assets, net of related debt; and \$8,601,333 restricted (for capital improvements, debt service, economic development, and other).
- Total assets increased approximately \$1,602,679 or 3.02% from 2007. A large portion of the increase was due to improvements on the building occupied by Baxter Healthcare Corporation. The efforts are being partially financed by a \$6,000,000 grant through the State of Mississippi. During the year \$1,437,686 was drawn against the grant.
- Total liabilities decreased \$787,525 or 4.22% from 2007. Thus, more principal was paid against debt than was borrowed during the year.
- The City's total net assets increased \$2,390,204 over 2007. A large portion of the increase is due to the above mentioned improvements to a building owned by the City and occupied by Baxter Healthcare Corporation. Grant amounts were also received to help finance airport improvements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements.** The government-wide financial statements, presented on pages 11 through 12 are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

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

The government-wide financial statements distinguish functions of the City of Cleveland, Mississippi that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The government activities of the City include general government, public safety, public works, highways and streets, health and sanitation, shop department, education and recreation and economic and community development.

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

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

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

The City of Cleveland maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Economic Development and Tourism fund, General Bond and Interest fund, Baxter Bond fund, Economic Development Revolving fund and Special Industrial Project fund, all of which are considered to be major funds. All other funds are considered non-major and are presented in a single column. The governmental fund financial statements are presented on pages 13 through 17.

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 18 through 21.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's only fiduciary fund consists of

the payroll clearing fund. Its financial statement can be found on page 22.

**Notes to the financial statements.** The notes, presented on pages 23 through 40, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**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 budgetary control on pages 41 through 52.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. At the end of the most recent fiscal year, the assets of the City of Cleveland exceeded its liabilities by \$36,762,815.

By far the largest portion of the City of Cleveland’s net assets, \$20,322,900, (55%) reflects its investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

(Table 1)  
City of Cleveland’s Net Assets

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)	Percentage Change
	2008	2007	2008	2007	2008	2007		
Current and other assets	\$ 17,669,314	16,706,478	3,295,765	3,517,799	20,965,079	20,224,277	740,802	3.66%
Capital assets, net	23,338,881	22,565,651	10,322,663	10,234,016	33,661,544	32,799,667	861,877	2.63%
<b>Total Assets</b>	<b>41,008,195</b>	<b>39,272,129</b>	<b>13,618,428</b>	<b>13,751,815</b>	<b>54,626,623</b>	<b>53,023,944</b>	<b>1,602,679</b>	<b>3.02%</b>
Long-term debt	6,335,951	7,256,978	5,913,946	5,656,624	12,249,897	12,913,602	(663,705)	-5.14%
Other liabilities	5,096,547	5,254,216	517,364	483,515	5,613,911	5,737,731	(123,820)	-2.16%
<b>Total Liabilities</b>	<b>11,432,498</b>	<b>12,511,194</b>	<b>6,431,310</b>	<b>6,140,139</b>	<b>17,863,808</b>	<b>18,651,333</b>	<b>(787,525)</b>	<b>-4.22%</b>
<b>Net Assets:</b>								
Invested in capital assets, net of related debt	16,189,659	14,158,295	4,133,241	4,311,239	20,322,900	18,469,534	1,853,366	10.03%
Restricted	8,601,333	8,786,308			8,601,333	8,786,308	(184,975)	-2.11%
Unrestricted	4,784,705	3,816,332	3,053,877	3,300,437	7,838,582	7,116,769	721,813	10.14%
<b>Total Net Assets</b>	<b>\$ 29,575,697</b>	<b>26,760,935</b>	<b>7,187,118</b>	<b>7,611,676</b>	<b>36,762,815</b>	<b>34,372,611</b>	<b>2,390,204</b>	<b>6.95%</b>

The City’s total assets increased approximately \$1,602,700 during 2008 with business-type activities showing a decrease of approximately \$133,400 and governmental activities showing an increase of approximately \$1,736,000. The major changes were approximately \$947,000 increase in capital assets and approximately \$825,000 increase in current and other assets. The increase in capital assets was due to capital improvements being made (airport project and improvements at Baxter Healthcare Corporation) and the increase in the current and other assets was due to an increase in ad valorem taxes and an increase in water and sewer rates charged to consumers.

The City's total liabilities decreased approximately \$787,500, due to payments against debt and less new debt being incurred. New debt incurred was limited to a capital lease purchase of a street sweeper in the amount of \$177,205 and \$554,298 received under the state revolving loan program for sewer improvements.

The City's net assets increased approximately \$2,390,000 due to the above mentioned items.

(Table 2)  
**City of Cleveland Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2008	2007	2008	2007	2008	2007		
<b>Program Revenues:</b>								
Charges for services	\$ 1,597,921	1,887,474	2,463,751	2,428,710	4,061,672	4,316,184	(254,512)	-5.90%
Grants and contributions	1,917,375	5,615,196		26,425	1,917,375	5,641,621	(3,724,246)	-66.01%
<b>General Revenues:</b>								
Property taxes	3,444,242	3,519,565			3,444,242	3,519,565	(75,323)	-2.14%
Sales and tourism taxes	3,886,729	3,677,515			3,886,729	3,677,515	209,214	5.69%
Other taxes and other	2,475,873	2,193,710	79,137	155,282	2,555,010	2,348,992	206,018	8.77%
<b>Total Revenues</b>	<b>13,322,140</b>	<b>16,893,460</b>	<b>2,542,888</b>	<b>2,610,417</b>	<b>15,865,028</b>	<b>19,503,877</b>	<b>(3,638,849)</b>	<b>-18.66%</b>
<b>Program Expenses:</b>								
General government	971,362	1,302,881			971,362	1,302,881	(331,519)	-25.45%
Public safety	3,898,345	3,467,052			3,898,345	3,467,052	431,293	12.44%
Public works	793,316	722,486			793,316	722,486	70,830	9.80%
Highways and streets	1,656,413	2,100,727			1,656,413	2,100,727	(444,314)	-21.15%
Health and sanitation	1,268,152	1,159,770			1,268,152	1,159,770	108,382	9.35%
Shop department	109,574	170,455			109,574	170,455	(60,881)	-35.72%
Education and recreation	1,097,480	937,432			1,097,480	937,432	160,048	17.07%
Economic and community dev.	452,682	393,205			452,682	393,205	59,477	15.13%
Interest on long-term debt	293,380	393,437			293,380	393,437	(100,057)	-25.43%
Water and sewer			3,027,702	2,734,142	3,027,702	2,734,142	293,560	10.74%
<b>Total Expenses</b>	<b>10,540,704</b>	<b>10,647,445</b>	<b>3,027,702</b>	<b>2,734,142</b>	<b>13,568,406</b>	<b>13,381,587</b>	<b>186,819</b>	<b>1.40%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 2,781,436</b>	<b>6,246,015</b>	<b>(484,814)</b>	<b>(123,725)</b>	<b>2,296,622</b>	<b>6,122,290</b>	<b>(3,825,668)</b>	<b>-62.49%</b>

The City's governmental activities continue to be funded by sources other than property taxes, which made up only 22% of the total revenues. The other major revenue sources were sales and tourism taxes (25%), charges for services (26%), and grants and contributions (12%). The major expense activities were public safety, highways and streets, and health and sanitation, and education and recreation which comprise 29%, 12%, 9% and 8% of total expenses respectively. The City remains totally committed to providing the services our residents expect and need.

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

### FUND FINANCIAL ANALYSIS

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

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

As the year ended, the City's governmental funds reported a combined fund balance of \$10,234,665 which is \$274,349 below last year's total of \$10,509,014. The primary reason for the decrease was the City was able to finance public improvements through the issuance and payoff of short-term debt. The amount available for capital improvements also decreased from the previous year.

**General Fund Budgeting Highlights**

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the General Fund.

During the course of 2008, the City amended its general fund budget. All recommendations for budget changes come from the Chief Administrative Officer and are presented to the whole Mayor and Board of Aldermen for ordinance enactment on the change. The City does not allow budget changes that modify line items with departments without board approval. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. The largest budget amendment was for the Health Insurance Trust Fund which was established during the year to account for the City's now partially self-insured health insurance plan for employees. The City can incur up to \$25,000 in medical expenses per participant for health insurance claims. Any excess over \$25,000 is covered by a reinsurance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2008, the City had \$33,661,544 invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, streets, bridges, and water and sewer lines. (See Table 3 following.) This amount represents a net increase (including additions and deductions) of approximately \$861,877 or 2.63%, over last year.

(Table 3)  
**CAPITAL ASSETS AT YEAR-END**  
 (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2008	2007	2008	2007	2008	2007		
Land	\$ 1,902,010	1,902,010	1,259,935	1,259,935	3,161,945	3,161,945	0	0.00%
Buildings and improvements	4,426,186	4,277,977	154,690	160,730	4,580,876	4,438,707	142,169	3.20%
Equipment and fixtures	2,479,139	2,153,609	171,080	169,542	2,650,219	2,323,151	327,068	14.08%
Infrastructure	7,215,002	7,584,019	8,216,554	8,643,809	15,431,556	16,227,828	(796,272)	-4.91%
Construction in progress	7,316,544	6,648,036	520,404	0	7,836,948	6,648,036	1,188,912	17.88%
	<u>\$ 23,338,881</u>	<u>22,565,651</u>	<u>10,322,663</u>	<u>10,234,016</u>	<u>33,661,544</u>	<u>32,799,667</u>	<u>861,877</u>	<u>2.63%</u>

The City of Cleveland continues to provide for the growth and stability of its citizenry through various construction and rehabilitation projects. The following highlights summarize the major projects for the fiscal year of 2007-2008:

- 1) The City continued its effort to improve the sanitary sewer collection system. Work on the Green Acres sewer rehabilitation totaled \$520,404 during the year. The sewer project is financed through the Mississippi Department of Environmental Quality with a twenty year loan at low interest rates.
- 2) Work continued on the airport improvement project during the year with \$392,732 of expenditures during the year.
- 3) Improvements were made at Baxter Healthcare Corporation building during the year. The City owns the building which Baxter occupies. The Mississippi Major Economic Impact Authority issued \$24,000,000 of impact bonds to help finance construction at Baxter. The City received \$6,000,000 of these funds in the form of a grant to help finance construction. The remaining \$18,000,000 was loaned directly to Baxter from the Impact Authority. In addition, the City issued \$1,035,000 of general obligation bonds to help finance improvements and the County also issued \$1,035,000 to help finance improvements. At September 30, 2008, the City's construction in progress account reflected \$5,710,042 of cost incurred.

Baxter began making lease payments to the City to help repay the \$1,035,000 bond issue. The wording of the lease gives Baxter a purchase option. A capital lease receivable was recorded as a result of this option.

### Long-term Debt

At year-end, the City had \$13,338,645 in bonds and notes outstanding compared to \$14,330,134 last year, a decrease of \$991,489. Of the total debt outstanding \$5,820,000 is backed by the full faith and credit of the City with debt service funded by voter-approved property taxes. The other major components are notes payable to the State of Mississippi for building in the industrial park of \$1,132,596 (supported by annual capital lease-sale payments of \$225,650), and notes payable to the State of Mississippi for water and sewer capital improvements of \$6,273,952 and are payable by sales tax revenue.

The following table illustrates the total Long-term Debt of the City of Cleveland as of September 30, 2008:

(Table 4)  
**LONG-TERM DEBT**  
Outstanding at Year-end

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2008	2007	2008	2007	2008	2007		
General Obligation Bonds	\$ 5,820,000	6,780,000		0	5,820,000	6,780,000	(960,000)	-14.16%
Industrial Revenue Bonds	0	330,000		0	0	330,000	(330,000)	-100.00%
Notes Payable	1,329,222	1,297,356	6,189,423	5,922,778	7,518,645	7,220,134	298,511	4.13%
	<u>\$ 7,149,222</u>	<u>8,407,356</u>	<u>6,189,423</u>	<u>5,922,778</u>	<u>13,338,645</u>	<u>14,330,134</u>	<u>(991,489)</u>	<u>-6.92%</u>

New debt issue consisted of \$177,025 for the capital lease purchase of a street sweeper, \$554,298 draws on CAP loan from MDEQ for a water and sewer project. More detailed information about the City's long-term liabilities is presented in Note 7 of the Notes to Financial Statements.

Not included above but reported as long-term debt in the financial statements is the accumulated employee leave time that would be paid as employees take leave or retire. Under GAAP reporting, this liability must be reported as compensated absence at year-end, due to contract language to the effect that the employee has "earned" this compensation.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal-year 2008 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 37 mills was not changed for 2008 and is allocated as follows: General Fund 20 mills, Library Fund 1.75 mills, Park Fund 2.75 mills, and Debt Service Fund 12.5 mills.

#### **Contacting the City's Finance Department**

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

CITY OF CLEVELAND, MISSISSIPPI

BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, MISSISSIPPI  
STATEMENT OF NET ASSETS  
September 30, 2008

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,063,432	2,635,952	5,699,384
Accounts receivable	103,923	218,477	322,400
Current portion of lease receivable	302,625		302,625
Intergovernmental receivable	1,045,999	95,584	1,141,583
Property taxes receivable	3,407,287		3,407,287
Franchise taxes receivable	139,593		139,593
Interest receivable	21,550		21,550
Inventory	83,075	144,361	227,436
Restricted assets:			
Cash and cash equivalents	6,014,128	201,391	6,215,519
Lease receivable, non-current	3,417,702		3,417,702
Loans receivable, non-current	70,000		70,000
Capital assets,			
Land	1,902,010	1,259,935	3,161,945
Construction in progress	7,316,544	520,404	7,836,948
Other capital assets, net	14,120,327	8,542,324	22,662,651
<u>Total Assets</u>	<u>41,008,195</u>	<u>13,618,428</u>	<u>54,626,623</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	76,365	18,192	94,557
Claims and judgments payable	41,630		41,630
Deferred revenue	3,407,287		3,407,287
Unearned revenue	489,602		489,602
Due to bondholders	5,000		5,000
Due within one year:			
Capital related debt	1,076,663	297,781	1,374,444
Liabilities payable from restricted assets:			
Customer deposits		201,391	201,391
Due in more than one year:			
Capital related debt	6,072,559	5,891,642	11,964,201
Non-capital related debt	263,392	22,304	285,696
<u>Total Liabilities</u>	<u>11,432,498</u>	<u>6,431,310</u>	<u>17,863,808</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	16,189,659	4,133,241	20,322,900
Restricted for:			
Crime prevention	26,109		26,109
Home Program	41,468		41,468
Capital improvements	972,579		972,579
Debt service	2,247,829		2,247,829
Unemployment	69,469		69,469
Economic development	5,243,879		5,243,879
Unrestricted	4,784,705	3,053,877	7,838,582
<u>Total Net Assets</u>	<u>\$ 29,575,697</u>	<u>7,187,118</u>	<u>36,762,815</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
September 30, 2008

	Program Revenues			Net (Expense) Revenue and Change in Net Assets		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type Activities		
					Governmental Activities		Business-type Activities
<b><u>FUNCTIONS / PROGRAMS</u></b>							
Governmental activities:							
General government	\$ 971,362	493,410			(477,952)	(477,952)	
Public safety	3,898,345	225			(3,898,120)	(3,898,120)	
Public works	793,316		479,689		(313,627)	(313,627)	
Highways and streets	1,656,413				(1,656,413)	(1,656,413)	
Health and sanitation	1,268,152	1,103,343			(164,809)	(164,809)	
Shop department	109,574	943			(109,574)	(109,574)	
Education and recreation	1,097,480				(1,096,537)	(1,096,537)	
Economic and community development	452,682		1,437,686		985,004	985,004	
Interest on long-term debt	293,380				(293,380)	(293,380)	
Total governmental activities	<u>10,540,704</u>	<u>1,597,921</u>	<u>0</u>	<u>1,917,375</u>	<u>(7,025,408)</u>	<u>(7,025,408)</u>	
Business-type activities:							
Water and sewer	3,027,702	2,463,751			(563,951)	(563,951)	
Total business-type activities	<u>3,027,702</u>	<u>2,463,751</u>	<u>0</u>	<u>0</u>	<u>(563,951)</u>	<u>(563,951)</u>	
Total primary government	<u>\$ 13,568,406</u>	<u>4,061,672</u>	<u>0</u>	<u>1,917,375</u>	<u>(7,025,408)</u>	<u>(7,589,359)</u>	
General revenues:							
Property taxes				\$ 3,444,242		3,444,242	
Sales and tourism taxes				3,886,729		3,886,729	
Franchise taxes				495,720		495,720	
Other taxes and other				1,674,075		1,674,075	
Unrestricted interest income				226,693	79,138	305,831	
Gain (Loss) on disposition of capital assets				10,895		10,895	
Interest income on capital lease-sale of building				68,489		68,489	
Transfers, net				1	(1)	0	
Total general revenues and transfers				<u>9,806,844</u>	<u>79,137</u>	<u>9,885,981</u>	
Change in net assets				2,781,436	(484,814)	2,296,622	
Net assets, beginning				26,760,935	7,611,676	34,372,611	
Prior period adjustment				33,326	60,256	93,582	
Net assets, beginning as restated				<u>26,794,261</u>	<u>7,671,932</u>	<u>34,466,193</u>	
Net assets, ending				<u>\$ 29,575,697</u>	<u>7,187,118</u>	<u>36,762,815</u>	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2008

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,693,117					84,318	1,061,030	2,838,465
Receivables:								
Accounts	39,781						64,142	103,923
Property taxes	2,164,088		966,933				276,266	3,407,287
Franchise fee	139,593							139,593
Intergovernmental	537,202	169,644	9,970				269,792	986,608
Advances to other funds	129,391	381,057	1,218		793,713		2,493	1,307,872
Lease receivable, current				76,975		225,650		302,625
Inventory	83,075							83,075
Restricted cash and cash equivalents		1,466,826	1,275,512	1,714	1,262,482		2,007,594	6,014,128
Lease receivable, non-current				1,161,202		2,256,500		3,417,702
Loan receivable, non-current							70,000	70,000
<b>Total Assets</b>	<b>\$ 4,786,247</b>	<b>2,017,527</b>	<b>2,253,633</b>	<b>1,239,891</b>	<b>2,056,195</b>	<b>2,566,468</b>	<b>3,751,317</b>	<b>18,671,278</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 44,134	5,701					5,683	55,518
Advances from other funds	3,711					1,174,770	70,000	1,248,481
Deferred revenue	2,164,088		966,933	964,414		2,266,311	276,266	6,638,012
Unearned revenue				273,763		215,839		489,602
Due to bondholders			5,000					5,000
<b>Total Liabilities</b>	<b>2,211,933</b>	<b>5,701</b>	<b>971,933</b>	<b>1,238,177</b>	<b>0</b>	<b>3,656,920</b>	<b>351,949</b>	<b>8,436,613</b>
<b>FUND BALANCES</b>								
Reserved for crime prevention							26,109	26,109
Reserved for inventory	83,075							83,075
Reserved for Home Program							41,468	41,468
Reserved for capital improvements							972,579	972,579
Reserved for debt service			1,281,700	1,714				1,283,414
Reserved for unemployment							69,469	69,469
Reserved for economic development		2,011,826			2,056,195	(1,090,452)		2,977,569
Unreserved, reported in:								
General fund	2,491,239							2,491,239
Special revenue funds							2,289,743	2,289,743
<b>Total Fund Balances</b>	<b>2,574,314</b>	<b>2,011,826</b>	<b>1,281,700</b>	<b>1,714</b>	<b>2,056,195</b>	<b>(1,090,452)</b>	<b>3,399,368</b>	<b>10,234,665</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,786,247</b>	<b>2,017,527</b>	<b>2,253,633</b>	<b>1,239,891</b>	<b>2,056,195</b>	<b>2,566,468</b>	<b>3,751,317</b>	<b>18,671,278</b>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
September 30, 2008

Total fund balance - total governmental funds	\$ 10,234,665
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$9,643,821.	23,338,881
Deferred revenue - principal due on capital lease receivable is not future income on the statement of activities.	3,230,725
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,412,614)
Interest accrued on capital leases receivable not reported on governmental fund financial statements	21,550
Interest accrued on long-term liabilities not reported on governmental fund financial statements	(20,847)
Internal service fund is used by management to administer health care coverage for employees. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.	<u>183,337</u>
Net assets of governmental activities	\$ <u><u>29,575,697</u></u>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**September 30, 2008**

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>								
Taxes	\$ 1,663,149		1,037,220				372,610	3,072,979
Licenses and permits	81,074							81,074
Intergovernmental								
Federal grants							241,227	241,227
State of Mississippi								
Grants						1,437,686	238,462	1,676,148
General sales tax	3,277,649							3,277,649
Tourism tax		609,080						609,080
Liquor licenses	13,275							13,275
Amusement licenses	900							900
Fire protection							71,685	71,685
Gasoline tax	19,152							19,152
Homestead reimbursement	97,391		60,869				21,913	180,173
Grand gulf							131,776	131,776
Bolivar County								
Road maintenance	308,572							308,572
Privilege tax	25,348							25,348
Animal shelter							37,343	37,343
Charges for services	921,342						676,579	1,597,921
Franchise tax	462,037						33,683	495,720
Fines and forfeits	355,209						12,160	367,369
Interest income	31,885	33,671	52,334	20,259	32,146	1,662	74,773	246,730
Plant and airport rentals						225,650	380,484	606,134
Miscellaneous	259,664						168,522	428,186
<b>Total revenues:</b>	<b>7,516,647</b>	<b>642,751</b>	<b>1,150,423</b>	<b>20,259</b>	<b>32,146</b>	<b>1,664,998</b>	<b>2,461,217</b>	<b>13,488,441</b>

**EXPENDITURES:**

Current:

General government	1,186,181	2,441					867	1,189,489
Public safety	3,697,094						64,785	3,761,879
Public works	632,056						77,714	709,770
Highways and streets	1,299,537						391,064	1,690,601
Health and sanitation	508,589						783,905	1,292,494

**CITY OF CLEVELAND, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**September 30, 2008**

	General Fund	Economic Development and Tourism Fund	General Bond and Interest Fund	Baxter Bond Fund	Economic Development Revolving Fund	Special Industrial Project Fund	Non-Major Governmental Funds	Total Governmental Funds
Shop department	109,574							109,574
Education and recreation							1,105,603	1,105,603
Economic and community development		452,682						452,682
Capital projects						1,310,776	642,232	1,953,008
Debt service:								
Principal	57,875		1,813,336	45,000		87,284	330,000	2,333,495
Interest and fees	4,450		210,939	94,130		37,021	20,131	366,671
<b>Total expenditures</b>	<b>7,495,356</b>	<b>455,123</b>	<b>2,024,275</b>	<b>139,130</b>	<b>0</b>	<b>1,435,081</b>	<b>3,416,301</b>	<b>14,965,266</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>21,291</b>	<b>187,628</b>	<b>(873,852)</b>	<b>(118,871)</b>	<b>32,146</b>	<b>229,917</b>	<b>(955,084)</b>	<b>(1,476,825)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Transfers in from other funds	654,642			50,000			513,000	1,217,642
Inception of capital lease	177,025							177,025
Proceeds from sales of assets	32,859							32,859
Proceeds of short-term borrowing							898,336	898,336
Lease principal payments				70,585				70,585
Transfers out to other funds	(770,042)	(183,000)					(264,599)	(1,217,641)
<b>Net other financing sources (uses)</b>	<b>94,484</b>	<b>(183,000)</b>	<b>0</b>	<b>120,585</b>	<b>0</b>	<b>0</b>	<b>1,146,737</b>	<b>1,178,806</b>
<b>Net change in fund balances</b>	<b>115,775</b>	<b>4,628</b>	<b>(873,852)</b>	<b>1,714</b>	<b>32,146</b>	<b>229,917</b>	<b>191,653</b>	<b>(298,019)</b>
<b>Fund balances, beginning</b>	<b>2,413,199</b>	<b>2,007,198</b>	<b>2,155,552</b>	<b>0</b>	<b>2,328,088</b>	<b>(1,624,408)</b>	<b>3,229,386</b>	<b>10,509,015</b>
Prior period adjustment	54,997				(304,039)	304,039	(21,671)	33,326
<b>Fund balance, beginning as restated</b>	<b>2,468,196</b>	<b>2,007,198</b>	<b>2,155,552</b>	<b>0</b>	<b>2,024,049</b>	<b>(1,320,369)</b>	<b>3,207,715</b>	<b>10,542,341</b>
Increase (decrease) in reserve for inventory	(9,657)							(9,657)
<b>Fund balances, ending</b>	<b>\$ 2,574,314</b>	<b>2,011,826</b>	<b>1,281,700</b>	<b>1,714</b>	<b>2,056,195</b>	<b>(1,090,452)</b>	<b>3,399,368</b>	<b>10,234,665</b>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 September 30, 2008

Net changes in fund balances - total governmental funds \$ (298,019)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$2,798,178 exceeded depreciation of \$967,984. 1,830,194

Governmental funds reported proceeds from sale of assets of \$32,859. Government-wide statements reports gain and loss on sale of fixed assets. Any basis in the assets is netted against proceeds of the sale to arrive at the gain or loss. Assets sold had a basis of \$21,964 resulting in a gain of \$10,895. (21,964)

The proceeds of long-term debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$2,333,495 exceeded debt proceeds \$1,075,361 . 1,258,134

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balance by a combination of the following items:

Compensated absences	13,903
Change in accrued interest on long-term debt	73,291

Principal payments received on capital lease receivable in not considered revenue on the statement of activities. (258,255)

Change in interest income accrual adjustment on statement of activities. 10,472

An internal service fund is used by management to account for employee health insurance. The net expense is reported within governmental activities. 183,337

Inventory adjustment included in statement of activities for government wide financial statements. (9,657)

Change in net assets of governmental activities \$ 2,781,436

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2008

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,635,952	224,967
Accounts receivable	218,477	
Intergovernmental receivable	95,584	
Inventory	144,361	
<b>Total Current Assets</b>	<b>3,094,374</b>	<b>224,967</b>
Restricted assets:		
Cash and cash equivalents	201,391	
<b>Total Restricted Assets</b>	<b>201,391</b>	
Non-current assets:		
Capital assets		
Land	1,259,935	
Construction in progress	520,404	
Other capital assets, net	8,542,324	
<b>Total Non-Current Assets</b>	<b>10,322,663</b>	
<b>Total Assets</b>	<b>13,618,428</b>	<b>224,967</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	18,192	
Claims and judgments		41,630
Current portion of long-term debt	297,781	
<b>Total Current Liabilities</b>	<b>315,973</b>	<b>41,630</b>
Liabilities payable from restricted assets:		
Customer deposits	201,391	
<b>Total Liabilities Payable from Restricted Assets</b>	<b>201,391</b>	
Non-current liabilities:		
Notes payable	5,891,642	
Compensated absences	22,304	
<b>Total Non-Current Liabilities</b>	<b>5,913,946</b>	
<b>Total liabilities</b>	<b>6,431,310</b>	
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	4,133,241	
Unrestricted	3,053,877	183,337
<b>Total Net Assets</b>	<b>\$ 7,187,118</b>	<b>183,337</b>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2008

	Business-Type Activities - Enterprise Fund Water & Sewer Fund	Governmental Activity Internal Service Fund
<b><u>OPERATING REVENUES:</u></b>		
Charges for services:		
Water sales	\$ 1,411,826	
Sewer sales	947,015	
Premiums		438,392
Other	104,910	
<b>Total Operating Revenues</b>	<b>2,463,751</b>	<b>438,392</b>
<b><u>OPERATING EXPENSES:</u></b>		
Personal services	453,068	
Contractual services	1,833,059	
Consumable supplies	150,544	
Depreciation expense	472,817	
Health claim payments		153,084
Administrative fees		21,167
Reinsurance premiums		74,299
Life insurance premiums		7,749
<b>Total Operating Expenses</b>	<b>2,909,488</b>	<b>256,299</b>
<b>Operating Income (Loss)</b>	<b>(445,737)</b>	<b>182,093</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>		
Interest income	79,138	1,327
Interest expenses	(116,130)	
Other income (expense)	(2,084)	(83)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(39,076)</b>	<b>1,244</b>
<b>Net Income (Loss) Before Operating Transfers</b>	<b>(484,813)</b>	<b>183,337</b>
<b><u>OPERATING TRANSFERS:</u></b>		
Operating transfers in	390,042	
Operating transfers out	(390,043)	
<b>Net Operating Transfers</b>	<b>(1)</b>	
<b>Net Income (Loss)</b>	<b>(484,814)</b>	<b>183,337</b>
<b>Total net assets, beginning</b>	7,611,676	
<b>Prior period adjustment</b>	60,256	
<b>Total net assets, beginning as restated</b>	<b>7,671,932</b>	<b>0</b>
<b>Total net assets, ending</b>	<b>\$ 7,187,118</b>	<b>183,337</b>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2008

	<u>Business-Type Activities Enterprise Fund Water &amp; Sewer Fund</u>	<u>Governmental Activities Internal Service Fund</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers and users	\$ 3,032,232	
Receipts for premiums		438,392
Payments to suppliers for goods and services	(2,454,855)	
Payments for health claims		(111,454)
Payments for administrative fees		(21,167)
Payments for premiums		(82,048)
Payments to employees for services	(453,068)	
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>124,309</u>	<u>223,723</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Operating transfers from (to) other funds		(1)
Acquisition of property and equipment	(563,548)	
Proceeds from issuance of debt	554,298	
Principal payments on long-term debt	(287,653)	
Interest paid on State of Mississippi loans	(116,130)	
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(413,034)</u>	
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Interest received on invested funds	89,037	1,244
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>89,037</u>	<u>1,244</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(199,688)	224,967
<b>Cash and Cash Equivalents, October 1</b>	<u>3,037,031</u>	<u>0</u>
<b>Cash and Cash Equivalents, September 30</b>	<u>\$ 2,837,343</u>	<u>224,967</u>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>		
Operating income (loss)	\$ (445,737)	182,093

CITY OF CLEVELAND, MISSISSIPPI  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2008

	Business-Type Activities Enterprise Fund Water & Sewer Fund	Governmental Activities Internal Service Fund
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	472,817	
Prior period adjustment for water deposits	60,256	
(Increase) decrease in accounts receivable	13,429	
(Increase) decrease in inventories	(982)	
Increase (decrease) in water deposits	8,115	
Increase (decrease) in accounts payable	15,606	41,630
Increase (decrease) in compensated absences	805	
	570,046	41,630
Total adjustments		
	570,046	41,630
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 124,309</b>	<b>223,723</b>
<b>Reconciliation of Cash</b>		
Unrestricted	\$ 2,635,952	224,967
Restricted	201,391	
Total	\$ 2,837,343	224,967

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
September 30, 2008

		<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and investments	\$	<u>59,508</u>
Total Assets	\$	<u><u>59,508</u></u>
 <u>LIABILITIES</u>		
Claims payable and other accrued liabilities	\$	117
Advances from other funds		<u>59,391</u>
Total Liabilities	\$	<u><u>59,508</u></u>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Cleveland, Mississippi (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The more significant of the government's accounting policies are described below.

**A. Financial Reporting Entity**

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

Robinson Carpenter Memorial Library - The City has a joint interest with Bolivar County, which is the primary oversight agency of the library. The City currently levies a 2.75 mill tax to support the library. This tax levy is remitted to the library monthly as it is collected.

**B. Government-wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges

provided by a given function of segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

The City reports the following proprietary funds.

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

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

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

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

**D. Cash and Cash Equivalents**

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

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

**E. Inventories**

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

**F. Capital Assets, Depreciation, and Amortization**

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

The following are the estimated useful lives used for computing depreciation:

Building and improvements	10 - 50 years
Equipment and fixtures	5 - 10 years
Infrastructure	20 - 40 years
Water and sewerage plant	20 - 40 years

**G. Long-Term Debt**

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

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

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

## **H. Fund Equity**

Government-wide Financial Statements:

Equity is classified as net assets 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 attributable to the acquisition, constructions or improvements of those assets.

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

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

## **I. Compensated Employee Absences**

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

## **J. Risk Management**

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

## **K. Estimates and Assumptions**

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

## **L. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on October 1<sup>st</sup> and are due and payable at that time. All unpaid taxes levied October 1<sup>st</sup> become delinquent February 1<sup>st</sup> of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. The City bills and collects its own property taxes except for the personal auto taxes that are billed, collected, and remitted to the City by the Bolivar County Tax Collector. The millage rate for the City for the 2008 taxes was 37 mills as: 20 mills for the general fund, 12.50 mills for the debt service fund, 2.75 mills for library maintenance, and 1.75 mills for park maintenance.

## **NOTE 2 BUDGET POLICY**

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

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

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

### NOTE 3 CASH AND CASH EQUIVALENTS

#### Cash

The carrying amount of the City's total deposits with financial institutions at September 30, 2008 was \$1,574,411 and the bank balance was \$5,954,969. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

#### Cash Equivalents

Cash equivalents consist of investments in the following certificates of deposit at September 30, 2008:

Investment Type	Maturity	Fair Value
Certificate of Deposit	October 31, 2008	\$ 5,500,000
Certificate of Deposit	November 30, 2008	1,070,000
Certificate of Deposit	December 31, 2008	<u>3,830,000</u>
Totals		<u>\$ 10,400,000</u>

**Interest rate risk –** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy is limited to complying with the State's investment statutes. Currently, the City holds the above certificates of deposit which have short-term maturities. The City plans to hold the certificates until maturity. Interest rate risk appears to be minimal under these circumstances.

**Credit risk –** State law limits the types of investments in which the City may invest its excess funds. The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risks.

**Custodial Credit Risk –** Custodial credit risk is the risk that in the event of failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

## NOTE 4 RECEIVABLES, UNCOLLECTIBLES, AND DEFERRED REVENUE

### Enterprise Receivables

Significant receivables include amounts due from customers for utility services that are based on monthly cycle billings. These accounts receivables and related revenues are reported net of estimated uncollectibles. Customer deposits are obtained to assist in the collection of such receivables. Accounts receivable at September 30, 2008 were \$218,477.

The City had sewer projects in progress at year-end. These projects are being financed through Mississippi Department of Environmental Quality revolving loan programs. At year-end, work performed by contractors and paid for by the City totaled \$95,584. Reimbursement of these amounts is expected to occur through the loan program.

### Governmental Receivables

In the government-wide financial statements, the receivables and related revenues include all amounts due the City regardless of when cash is received. In the governmental fund financial statements, the revenues are offset and revenue recognition deferred by the amounts not received within 60 days of fiscal year-end. Intergovernmental receivables at September 30, 2008 include the following:

State of Mississippi:	Sales Tax	\$ 510,165
	Tourism Tax	101,201
<u>Bolivar County:</u>	Auto Ad Valorem	35,137
	Road Maintenance	4,723
Federal Grants:	Transportation Enhancement Funds	68,443
	Airport Improvement Project	241,227
<u>State Grants:</u>	Airport Improvement Project	25,712
Agency Fund:	Due from Agency Fund	<u>59,391</u>
	Total Intergovernmental Receivables	\$ <u>1,045,999</u>

### Loans and lease receivable

#### Faurecia Automotive Seating, Inc.

On June 4, 2004, the City entered into a capital lease-sale with Faurecia Automotive Seating, Inc. for land and building located in the industrial park. The City purchased this building for the purpose of leasing it to Faurecia Automotive Seating, Inc. The purchase of the building was financed as follows: City \$750,000 CAP Loan from Mississippi Development Authority, County \$750,000 CAP Loan from Mississippi Development Authority, Town of Renova \$250,000 grant, with the remainder of the approximately \$3,175,000 purchase price paid by the City. The City is responsible for the repayment of both of the \$750,000 CAP loans (City and County) with the annual lease payments of \$225,650 payable from June 15, 2005 through June 15, 2019. The lessee has the option to purchase the land and building on or after the seventh anniversary date of the lease for the purchase price of \$3,000,000, plus interest at the rate of 1.548% per annum from the date of closing, less all sums paid as rent under the preceding lease. Minimum lease payments receivable at September 30, 2008 were:

<u>Year Ending September 30,</u>	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Total Lease</u>
2009	\$ 190,574	35,076	225,650
2010	193,524	32,126	225,650
2011	196,519	29,131	225,650
2012	199,560	26,090	225,650
2013	202,649	23,001	225,650
2014-2018	1,061,273	66,977	1,128,250
2019-2023	<u>222,211</u>	<u>3,439</u>	<u>225,650</u>
Totals	\$ <u>2,266,310</u>	<u>215,840</u>	<u>2,482,150</u>

Baxter Healthcare Corporation

In the previous year, the City of Cleveland entered into an agreement with Baxter Healthcare Corporation (Baxter), the Mississippi Major Economic Impact Authority (MMEIA), and the Bolivar County Board of Supervisors. The agreement provides for major capital improvements to Baxter's manufacturing facilities located within the City of Cleveland. MMEIA was authorized by the Legislature of the State of Mississippi to issue Impact Bonds totaling twenty-four million dollars (\$24,000,000). Of this amount eighteen million dollars (\$18,000,000) was to be loaned directly to Baxter from MMEIA. The remainder of six million dollars (\$6,000,000) was provided in the form of a grant from MMEIA to the City of Cleveland for use in Baxter's improvements. In addition, the City of Cleveland issued bonds for one million thirty-five thousand dollars (\$1,035,000) and Bolivar County issued bonds for one million thirty-five thousand dollars (\$1,035,000) for the construction project.

Baxter executed a lease agreement with the City and County to assist with the repayment of the bonds (\$1,035,000 each) issued by the City and County. The term of the lease is for fifteen years. The first lease payment was due November 1, 2007. The total lease payments are being remitted to the City of Cleveland. The City will pay to the County one-half of each lease payment received to assist with the repayment of the County's bonds. Lease payments are scheduled for November 1 and May 1 of each year. The payments are varied in amounts over the fifteen year term. The lessee has the option to purchase the improvements during the lease. Minimum lease payments receivable at September 30, 2008 were:

<u>Year Ending September 30,</u>	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Total Lease</u>
2009	\$ 59,956	17,019	76,975
2010	62,382	17,708	80,090
2011	64,667	18,357	83,024
2012	62,993	17,882	80,875
2013	65,167	18,499	83,666
2014-2018	342,742	97,292	440,034
2019-2023	<u>306,507</u>	<u>87,006</u>	<u>393,513</u>
Totals	\$ <u>964,414</u>	<u>273,763</u>	<u>1,238,177</u>

**NOTE 5 RESTRICTED ASSETS**

Certain assets are restricted for construction funded through long-term debt, federal grants and debt service. In addition, certain assets are held as deposits and are only potentially available for City use.

The bond resolutions have several requirements of the City concerning such items as the maintenance and segregation of accounts. The resolution stipulated the accumulation of certain funds for the protection of the bondholder, and in 2008 the City had the following restricted cash:

	Economic Development	Debt Service	Economic Development Capital	Water and Sewer	Other
Capital improvements					1,870,548
Crime prevention					26,109
Customer deposits				201,391	
Debt service		1,277,227			
Economic development	1,466,826		1,262,482		
Home Program					41,468
Unemployment					69,468
<b>Totals</b>	<b>\$ 1,466,826</b>	<b>1,277,227</b>	<b>1,262,482</b>	<b>201,391</b>	<b>2,007,593</b>

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2008, was as follows:

	Not Being Depreciated		Being Depreciated			Total
	Land	Construction in Progress	Buildings and Improvements	Equipment and Fixtures	Infrastructure	
<b>Governmental Activities:</b>						
<b>Capital Assets</b>						
Balance, 10/01/07	\$ 1,902,010	6,648,036	5,618,988	5,995,321	11,283,762	31,448,117
Additions / Completions		1,703,508	249,500	845,170		2,798,178
Retirements / Adjustments		(1,035,000)		(228,593)		(1,263,593)
<b>Balance, 09/30/08</b>	<b>1,902,010</b>	<b>7,316,544</b>	<b>5,868,488</b>	<b>6,611,898</b>	<b>11,283,762</b>	<b>32,982,702</b>
<b>Accumulated Depreciation</b>						
Balance 10/01/07			1,341,011	3,841,712	3,699,743	8,882,466
Additions / Completions			101,291	497,676	369,017	967,984
Retirements / Adjustments				(206,629)		(206,629)
<b>Balance, 09/30/08</b>	<b>0</b>	<b>0</b>	<b>1,442,302</b>	<b>4,132,759</b>	<b>4,068,760</b>	<b>9,643,821</b>
<b>Governmental Activities Assets, Net</b>	<b>1,902,010</b>	<b>7,316,544</b>	<b>4,426,186</b>	<b>2,479,139</b>	<b>7,215,002</b>	<b>23,338,881</b>

	Not Being Depreciated		Being Depreciated			Total
	Land	Construction	Buildings	Equipment	Infrastructure	
		in Progress	and Improvements	and Fixtures		
<b>Business-type Activities:</b>						
<b>Capital Assets</b>						
Balance, 10/01/07	1,259,935		301,983	615,245	28,073,024	30,250,187
Additions / Completions		520,404		43,144		563,548
Retirements / Adjustments				(20,841)		(20,841)
<b>Balance, 09/30/08</b>	<b>1,259,935</b>	<b>520,404</b>	<b>301,983</b>	<b>637,548</b>	<b>28,073,024</b>	<b>30,792,894</b>
<b>Accumulated Depreciation</b>						
Balance, 10/01/07			141,253	445,703	19,429,215	20,016,171
Additions / Completions			6,040	39,522	427,255	472,817
Retirements / Adjustments				(18,757)		(18,757)
<b>Balance, 09/30/08</b>	<b>0</b>	<b>0</b>	<b>147,293</b>	<b>466,468</b>	<b>19,856,470</b>	<b>20,470,231</b>
<b>Business-type Activities Assets, Net</b>	<b>1,259,935</b>	<b>520,404</b>	<b>154,690</b>	<b>171,080</b>	<b>8,216,554</b>	<b>10,322,663</b>
<b>Total Capital Assets, Net</b>	<b>\$ 3,161,945</b>	<b>7,836,948</b>	<b>4,580,876</b>	<b>2,650,219</b>	<b>15,431,556</b>	<b>33,661,544</b>

Construction in Progress is composed of the follows:

	Spent through 9/30/2008	Estimated To Complete
<b>Governmental Activities:</b>		
Airport - Runway Extension	\$ 1,606,502	479,398
Baxter Expansion & Upgrade Project	5,710,042	1,835,890
<b>Totals</b>	<b>\$ 7,316,544</b>	<b>2,315,288</b>
<b>Enterprise Activities:</b>		
Green Acres Sewer Rehabilitation	\$ 520,404	528,403
<b>Totals</b>	<b>\$ 520,404</b>	<b>528,403</b>

Governmental activities construction projects are primarily funded through federal and/or state grants with the remainder of the financing provided by the City.

The Baxter expansion and upgrade project is financed largely by \$24,000,000 of impact bonds issued by Mississippi Major Economic Impact Authority. Of this amount the City received \$6,000,000 in the form of a grant. The remaining \$18,000,000 was to be loaned directly to Baxter by the Impact Authority. Remaining financing was obtained by the City issuing \$1,035,000 general obligation bonds and Bolivar County issuing \$1,035,000 in bonds.

Activities of each organization are governed by memorandum of understanding entered into by the parties. In order to help the City repay its general obligation debt, Baxter is to make lease payments to the City each year for fifteen years. The payments will begin November 1, 2007 and continue until November 1, 2021. The payments will vary each year; however, the total payments are expected to be \$2,657,599 over the lease term.

The lease agreement grants Baxter an opportunity to purchase the leased premises at any point provided certain minimum amounts are paid. A capital lease receivable has been recorded in the current year as a result of the option to purchase at less than fair value at a future date.

Depreciation expense was charged to City functions as follows:

Governmental Activities:	
General government	\$ 5,906
Public safety	309,524
Public works	105,659
Highways and streets	464,763
Health and sanitation	13,285
Education and recreation	68,847
Business-type Activities:	
Water and Sewer	\$ 472,817

#### **NOTE 7 LONG-TERM DEBT**

The City's long-term debt is made up of general obligation bonds, industrial revenue bonds, and notes payable. General obligation bonds are direct obligations, and are backed by the full faith and credit of the City. Industrial revenue bonds are payable solely from the revenues of the underlying facilities. The City also incurs debt in the form of various notes payable which are to be repaid through daily operations.

The City is subject to a general statutory debt limitation under which no City in the State may incur general obligation bonded indebtedness in the amount which will exceed 15 percent of the assessed value of the taxable property within the City according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of such 15 percent limitation, there may be deducted all bonds or other evidences of indebtedness issued for school, water, and sewerage systems, gas and light and power purposes and for construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying a City's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case may a City contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20 percent of the assessed value of the taxable property within such City.

In arriving at the limitations set forth, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under provisions of Sections 57-1-1 to 57-1-51, Mississippi Code of 1972, Annotated, Revised 1989 and

special assessment improvement bonds issued under the provisions of Sections 21-41-1 to 21-41-53, Mississippi Code of 1972, Annotated, Revised 1990, are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

The margin for additional debt under the above debt limits as of September 30, 2008 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$7,660,239	\$12,153,652

The following is a summary of changes in long-term debt for the year ended September 30, 2008.

	Balance 10/1/2007	Additions	Reductions	Balance 9/30/2008	Due within one year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 6,780,000		960,000	5,820,000	920,000
Industrial Revenue Bonds	330,000		330,000	0	
Notes Payable - State of MS	1,219,880		87,284	1,132,596	91,422
Lease Payable - Cleveland State Bank	77,476		48,951	28,525	28,525
Lease Payable - Cleveland State Bank		177,025	8,924	168,101	36,716
Compensated absences	277,295		13,903	263,392	
Total Governmental Activities	<u>8,684,651</u>	<u>177,025</u>	<u>1,449,062</u>	<u>7,412,614</u>	<u>1,076,663</u>
<b>Business-type Activities:</b>					
Notes Payable - State of MS	5,922,778	554,298	287,653	6,189,423	297,781
Compensated absences	21,499	805		22,304	
Total Business-type Activities	<u>5,944,277</u>	<u>555,103</u>	<u>287,653</u>	<u>6,211,727</u>	<u>297,781</u>
Total Long-term debt	<u>\$ 14,628,928</u>	<u>732,128</u>	<u>1,736,715</u>	<u>13,624,341</u>	<u>1,374,444</u>

At September 30, 2008 bonds and notes payable consisted of the following individual issues:

Description and purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
Governmental Activities:					
A. General obligation bonds					
Street Improvement	9/1/98	4.25%	3/1/08	450,000	
Public Improvement	11/19/99	4.90 - 6.75%	3/1/09	650,000	65,000
Public Improvement	6/1/00	5.90%	3/1/10	850,000	170,000
Public Improvement	6/1/01	3.00 - 4.30%	3/1/11	640,000	195,000
Public Improvement	6/1/02	3.25 - 4.60%	3/1/12	790,000	320,000
Public Improvement	5/1/03	2.50 - 3.50%	3/1/13	1,060,000	550,000
Public Improvement	3/1/04	2.10 - 3.00%	3/1/14	1,380,000	850,000
Public Improvement	5/1/05	3.75%	3/1/15	1,100,000	770,000
Public Improvement	5/1/06	4.00 - 5.00%	3/1/16	1,110,000	890,000
Public Improvement	3/1/07	4.25 - 5.25%	3/1/17	1,130,000	1,020,000
General Obligation	3/1/07	6.00 - 8.50%	3/1/17	1,035,000	990,000
Total General obligation bonds					<u>5,820,000</u>
B. Industrial Revenue Bond					
Construction and Improvement (Baxter Laboratories)	7/1/78	6-10%	7/1/08	3,300,000	<u>0</u>

Description and purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
<b>C. Other Loans</b>					
State of Mississippi (MDA Faurecia - City)	6/7/04	3.00%	6/1/23	750,000	566,298
State of Mississippi (MDA Faurecia - County)	6/7/04	3.00%	6/1/23	750,000	566,298
Cleveland State Bank (Police Car Capital Lease)	1/6/05	2.46%	1/15/08	82,381	0
Cleveland State Bank (Police Car Capital Lease)	8/10/06	4.95%	8/10/09	109,039	28,525
Cleveland State Bank (Street Sweeper Lease)	7/1/08	4.50%	1/1/13	177,025	168,101
Total Other Loans					<u>1,329,222</u>
Total Governmental Activities				\$	<u><u>7,149,222</u></u>

Description and purpose	Date of Issue	Interest Rates	Maturity	Original Issue Amount	Amount Outstanding
<b>Business-type Activities:</b>					
<b>A. Other loans</b>					
State of Mississippi (MDA)	6/4/96	3.70%	8/1/13	158,000	\$ 59,579
State of Mississippi (MDEQ) #1	8/1/03	1.75%	6/1/23	1,898,911	1,483,547
State of Mississippi (MDEQ) #2	9/25/03	1.75%	9/1/24	1,557,801	1,301,860
State of Mississippi (MDEQ) #3	10/1/04	1.75%	1/1/26	1,213,503	1,093,188
State of Mississippi (MDEQ) #4	10/14/05	2.50%	4/1/27	1,905,000	1,601,368
State of Mississippi (MDEQ) #5	8/25/06	2.50%	8/25/32	1,630,000	649,881
Total Other Loans				\$	<u><u>6,189,423</u></u>

The annual debt service requirements of long-term debt as of September 30, 2008 are as follows:

Governmental Activities:

Year Ending September 30,	General Obligation		Industrial Revenue		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 920,000	230,814			156,663	40,291
2010	860,000	193,393			132,605	35,229
2011	780,000	159,446			137,235	30,598
2012	720,000	128,948			142,033	25,801
2013	650,000	100,410			113,863	21,363
2014-2018	1,890,000	253,930			564,282	57,236
2019-2023					82,541	1,056
Total	\$ <u>5,820,000</u>	<u>1,066,941</u>	<u>0</u>	<u>0</u>	<u>1,329,222</u>	<u>211,574</u>

Business-type Activities:

2009	\$	297,781	112,891
2010		325,141	119,968
2011		331,990	113,119
2012		338,990	106,118
2013		342,937	98,965
2014-2018		1,771,181	388,659
2019-2023		1,928,532	199,762
2024-2028		818,826	38,768
2029-2033		34,045	391
Total	\$	<u>6,189,423</u>	<u>1,178,641</u>

**NOTE 8 SHORT-TERM FINANCING**

During the fiscal year ended September 30, 2008, the City obtained short-term financing from a local bank for the cost of making street improvements within the city limits. Proceeds of the certificate of indebtedness were \$898,336 and were deposited into the Public Improvement Fund. Repayment of the certificate was made by the General Bond and Interest Fund. A total of \$1,664 of interest was paid to obtain the financing.

**NOTE 9 INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. 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 or component unit to support and simplify the administration of various projects or programs. The governmental and business-type funds financial statements reflect such transactions as transfers. Balances at September 30, 2008 were as follows:

Transfers In	Transfers Out	
General Fund	Enterprise Fund	\$ 390,043
General Fund	Nonmajor Funds	264,599
Baxter Bond Fund	Economic Development and Tourism Fund	50,000
Enterprise Fund	General Fund	390,042
Nonmajor Fund	General Fund	380,000
Nonmajor Fund	Economic Development and Tourism Fund	<u>133,000</u>
Total		<u>\$ 1,607,684</u>

Individual fund interfund advance balances at September 30, 2008 arising from these transactions were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental fund	\$ 70,000
General Fund	Agency Fund	59,391
Economic Development and Tourism Fund	Special Industrial Project Fund	381,057
General Bond and Interest Fund	General Fund	1,218
Nonmajor governmental fund	General Fund	2,493
Economic Development Revolving Fund	Special Industrial Project Fund	<u>793,713</u>
Totals		<u>\$ 1,307,872</u>

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

## **NOTE 10 DEFINED BENEFIT PENSION PLAN**

Plan Description. The City of Cleveland contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State Law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2008, 2007 and 2006 were \$448,147, \$429,319, and \$385,447, respectively.

## **NOTE 11 COMMITMENTS AND CONTINGENCIES**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City, after consultation with counsel, that the resolution of the matters will not have a material adverse effect on the financial condition of the government.

In the normal course of operations, the City receives grant funds from various federal and state awarding agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability of reimbursement which may arise as the result of these audits is not believed to be material.

The City occasionally enters into long-term construction contracts for capital projects as well as long-term contracts for various utility services. As of September 30, 2008, the City has two commitments, which consist of the residential garbage collection contract and a contract for water utility services through September 30, 2008. The City also has construction contracts commitments relating to capital projects discussed in an earlier note.

## **NOTE 12 SOLID WASTE DISPOSAL**

On September 15, 2008, the City contracted with RES Inc. to provide residential garbage collection and disposal. The rate is \$15.00 per month per residence. The agreement will continue until September 30, 2012. The agreement can be automatically renewed until September 30, 2015. The City adopted the Solid Waste Management Plan for Bolivar County on September 27, 1993.

## **NOTE 13 RISK MANAGEMENT**

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

The City established an internal service fund, the health insurance trust fund, to account for and finance employee medical benefit claims. The plan is funded by transfers from the general fund to cover claims, administrative fees, reinsurance premiums and group life insurance premiums. Administrative fees and reinsurance premiums are billed to the City once a month by the plan administrator. Weekly claim amounts are billed to the City based upon the claims processed by the

administrator. The City has purchased a reinsurance policy which pays claims in excess of \$25,000 for an individual participant. Based on current rates and enrollment the City is anticipated to have funds available to pay claims of approximately \$600,000 per year.

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

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2007-2008	0	153,084	111,454	41,630

**NOTE 14 DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS**

The Special Industrial Project Fund reported a deficit in fund balance of \$1,090,452 at September 30, 2008.

**NOTE 15 PRIOR PERIOD ADJUSTMENTS/EXHIBITS**

A summary of significant fund equity adjustments is as follows:

Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. Correction to accrual for siren grant	\$ (21,671)
2. Correction of amount due from payroll fund	54,997
Net correction	<u>\$ 33,326</u>

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

<u>Explanations</u>	<u>Amount</u>
1. Correction of amount due from payroll fund	\$ 54,997
2. Correction of prior period interfund transfers	(304,039)
3. Correction of prior period interfund transfers	304,039
4. Correction of accrual for siren grant	(21,671)
Net correction	<u>\$ 33,326</u>

Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds

<u>Explanations</u>	<u>Amount</u>
1. Correction of customer deposits	\$ 60,256

**NOTE 16 SUBSEQUENT EVENTS**

The City has plans to incur debt in the amount of \$829,800 for street, curbs, and gutter repairs.

CITY OF CLEVELAND, MISSISSIPPI

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CLEVELAND, MISSISSIPPI  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL (NON-GAAP BASIS)  
For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b><u>REVENUES:</u></b>				
Licenses and Permits	\$ 535,000	535,000	534,276	(724)
Fines and forfeits	416,000	416,000	355,209	(60,791)
Grants & Intergovernmental	3,430,500	3,430,500	3,177,010	(253,490)
Charges for Services	399,000	399,000	518,600	119,600
Miscellaneous Revenues	705,210	705,210	723,333	18,123
Ad Valorem Taxes	1,811,354	1,811,354	1,753,465	(57,889)
Miscellaneous Taxes	26,250	26,250	26,248	(2)
Interfund Transfers	688,043	666,843	654,660	(12,183)
<b>Total revenues</b>	<b>8,011,357</b>	<b>7,990,157</b>	<b>7,742,801</b>	<b>(247,356)</b>
<b><u>EXPENDITURES:</u></b>				
General government				
Personal services	343,946	343,946	338,555	5,391
Other services and charges	737,480	816,180	713,297	102,883
Supplies	22,200	22,200	19,865	2,335
Capital outlay	35,000	35,000	33,785	1,215
Grants & Subsidies	72,600	72,600	71,249	1,351
Total general government	1,211,226	1,289,926	1,176,751	113,175
Public Safety				
Municipal Court				
Personal services	110,300	110,300	102,344	7,956
Other services and charges	254,900	254,900	213,004	41,896
Supplies	8,300	8,300	4,557	3,743
Total municipal court	373,500	373,500	319,905	53,595
Police Department				
Personal services	2,807,031	2,807,031	2,632,172	174,859
Other services and charges	105,200	108,200	100,495	7,705
Supplies	204,500	220,500	178,341	42,159
Capital outlay	182,944	182,944	174,727	8,217
Total Police Department	3,299,675	3,318,675	3,085,735	232,940

CITY OF CLEVELAND, MISSISSIPPI  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL (NON-GAAP BASIS)  
For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP	Favorable
	Original	Final	Basis	(Unfavorable)
Fire Department				
Personal services	155,924	155,924	145,527	10,397
Other services and charges	98,900	98,900	85,602	13,298
Supplies	103,700	112,200	103,402	8,798
Capital outlay	3,000	10,000	2,368	7,632
Total Fire Department	<u>361,524</u>	<u>377,024</u>	<u>336,899</u>	<u>40,125</u>
Total Public Safety	<u>4,034,699</u>	<u>4,069,199</u>	<u>3,742,539</u>	<u>326,660</u>
Public Works				
Code Compliance				
Personal services	258,903	258,903	240,656	18,247
Other services and charges	55,700	50,700	27,106	23,594
Supplies	13,700	17,750	17,702	48
Capital outlay	28,050	36,550	35,968	582
Total Code Compliance	<u>356,353</u>	<u>363,903</u>	<u>321,432</u>	<u>42,471</u>
Cemetery				
Personal services	97,597	100,097	100,051	46
Other services and charges	1,600	1,600	1,065	535
Supplies	22,300	23,800	51,121	(27,321)
Capital outlay	35,050	35,050		35,050
Total Cemetery	<u>156,547</u>	<u>160,547</u>	<u>152,237</u>	<u>8,310</u>
Airport				
Personal services	77,450	77,450	71,189	6,261
Other services and charges	29,175	29,175	19,864	9,311
Supplies	54,350	57,350	51,664	5,686
Capital outlay	7,500	7,500	7,382	118
Total Airport	<u>168,475</u>	<u>171,475</u>	<u>150,099</u>	<u>21,376</u>
Total public works	<u>681,375</u>	<u>695,925</u>	<u>623,768</u>	<u>72,157</u>
Highways and Streets				
Personal services	636,582	636,582	581,161	55,421
Other services and charges	169,100	169,100	144,233	24,867
Supplies	254,200	313,200	299,376	13,824
Capital outlay	75,147	145,147	108,623	36,524
Total Highways and Streets	<u>1,135,029</u>	<u>1,264,029</u>	<u>1,133,393</u>	<u>130,636</u>

CITY OF CLEVELAND, MISSISSIPPI  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL (NON-GAAP BASIS)  
For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Health and sanitation				
Mosquito Control				
Personal services	132,242	134,242	127,180	7,062
Other services and charges	36,650	36,650	27,742	8,908
Supplies	306,800	306,800	308,313	(1,513)
Capital outlay	45,000	45,000	44,428	572
Total Mosquito Control	<u>520,692</u>	<u>522,692</u>	<u>507,663</u>	<u>15,029</u>
Shop Department				
Personal services	100,350	100,350	97,739	2,611
Other services and charges	3,000	3,000	1,753	1,247
Supplies	12,750	13,250	10,082	3,168
Capital outlay	550	550		550
Total Shop Department	<u>116,650</u>	<u>117,150</u>	<u>109,574</u>	<u>7,576</u>
<b>Total Expenditures</b>	<u>7,699,671</u>	<u>7,958,921</u>	<u>7,293,688</u>	<u>665,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>311,686</u>	<u>31,236</u>	<u>449,113</u>	<u>(912,589)</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating transfers in (out)	<u>(380,000)</u>	<u>(380,000)</u>	<u>(380,000)</u>	<u>0</u>
<b>Total other financing sources (uses)</b>	<u>(380,000)</u>	<u>(380,000)</u>	<u>(380,000)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (68,314)</u>	<u>(348,764)</u>	69,113	<u>(417,877)</u>
Adjustments to Generally Accepted Accounting Principles Basis				
Revenue and other sources credited to designated funds			638,371	

CITY OF CLEVELAND, MISSISSIPPI  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL (NON-GAAP BASIS)  
For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Expenditures charged to designated funds			(591,709)	
Net change in Fund Balances - GAAP Basis			115,775	
<b>Fund balances, October 1</b>			2,413,199	
<b>Prior period adjustment</b>			54,997	
<b>Fund balances, October 1 as restated</b>			2,468,196	
<b>Increase (decrease) in reserve for inventory</b>			(9,657)	
<b>Fund balances, September 30</b>			2,574,314	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
ECONOMIC DEVELOPMENT AND TOURISM FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL (NON-GAAP BASIS)  
For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b><u>REVENUES:</u></b>				
Tourism Taxes	\$ 575,000	575,000	611,200	36,200
Total taxes	<u>575,000</u>	<u>575,000</u>	<u>611,200</u>	<u>36,200</u>
Intergovernmental				
State of Mississippi - Dept. of Transportation	40,000	40,000		(40,000)
Federal grants	28,400	28,400		(28,400)
Interest income	45,400	45,400	40,131	(5,269)
Lease payment income				0
Total revenues	<u>688,800</u>	<u>688,800</u>	<u>651,331</u>	<u>(37,469)</u>
<b><u>EXPENDITURES:</u></b>				
All departments				
Contractual services	172,000	172,000	93,310	78,690
Consumable supplies	10,000	10,000	10,000	0
Appropriation	319,637	452,637	297,737	154,900
Capital outlay				0
	<u>501,637</u>	<u>634,637</u>	<u>401,047</u>	<u>233,590</u>
Railroad Heritage Museum				
Personal services	37,500	37,500	0	37,500
Contractual services	30,500	30,500	433	30,067
Consumable supplies	7,000	7,000		7,000
Capital outlay	141,600	141,600	53,028	88,572
	<u>216,600</u>	<u>216,600</u>	<u>53,461</u>	<u>163,139</u>
Total expenditures	<u>718,237</u>	<u>851,237</u>	<u>454,508</u>	<u>396,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,437)</u>	<u>(162,437)</u>	<u>196,823</u>	<u>359,260</u>

CITY OF CLEVELAND, MISSISSIPPI  
 ECONOMIC DEVELOPMENT AND TOURISM FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL (NON-GAAP BASIS)  
 For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out)	(50,000)	(50,000)	(183,000)	(133,000)
<b>Total other financing sources (uses):</b>	(50,000)	(50,000)	(183,000)	(133,000)
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (79,437)</b>	<b>(212,437)</b>	<b>13,823</b>	<b>226,260</b>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			(8,580)	
Expenditures charged to designated funds			(615)	
Net change in Fund Balances - GAAP Basis			4,628	
Fund balances, October 1			2,007,198	
Fund balances, September 30			2,011,826	

See accompanying notes to financial statements.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 BAXTER BOND FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL (NON-GAAP BASIS)  
 For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b><u>REVENUES:</u></b>				
Lease payment	\$ 181,245	181,245	181,245	0
Interest Income			221	221
<b>Total revenues</b>	<u>181,245</u>	<u>181,245</u>	<u>181,466</u>	<u>221</u>
<b><u>EXPENDITURES:</u></b>				
Debt service	228,013	228,013	229,752	(1,739)
Total debt service	<u>228,013</u>	<u>228,013</u>	<u>229,752</u>	<u>(1,739)</u>
<b>Total Expenditures</b>	<u>228,013</u>	<u>228,013</u>	<u>229,752</u>	<u>(1,739)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,768)</u>	<u>(46,768)</u>	<u>(48,286)</u>	<u>1,960</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 3,232</u>	<u>3,232</u>	1,714	<u>1,960</u>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds				
Expenditures charged to designated funds				
Net change in Fund Balances - GAAP Basis			1,714	
Fund balances, October 1			<u>0</u>	
Fund balances, September 30			<u>1,714</u>	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
ECONOMIC DEVELOPMENT REVOLVING FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL (NON-GAAP BASIS)  
For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Interest Income	\$ 39,300	39,300	36,878	(2,422)
Intergovernmental Federal Grants	194,000	194,000		(194,000)
<b>Total revenues</b>	<b>233,300</b>	<b>233,300</b>	<b>36,878</b>	<b>(196,422)</b>
<b>EXPENDITURES:</b>				
Faurecia Capital outlay	194,000	194,000		194,000
Total economic development	194,000	194,000	0	194,000
<b>Total expenditures</b>	<b>194,000</b>	<b>194,000</b>	<b>0</b>	<b>194,000</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>39,300</b>	<b>39,300</b>	<b>36,878</b>	<b>(2,422)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out)	101,346	101,346	101,346	0
<b>Total other financing sources (uses):</b>	<b>101,346</b>	<b>101,346</b>	<b>101,346</b>	<b>0</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ 140,646</b>	<b>140,646</b>	<b>138,224</b>	<b>(2,422)</b>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			(106,078)	
Net change in Fund Balances - GAAP Basis			32,146	
Fund balances, October 1			2,328,088	
Prior period adjustment			(304,039)	
Fund balances, October 1 as restated			2,024,049	
Fund balances, September 30			2,056,195	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
SPECIAL INDUSTRIAL PROJECT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL (NON-GAAP BASIS)  
For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>REVENUES:</b>				
Interest Income	\$ 8,500	8,500	1,662	(6,838)
State Grants	3,238,000	3,238,000	1,437,686	(1,800,314)
Lease payment	225,650	225,650	225,650	0
<b>Total revenues</b>	<b>3,472,150</b>	<b>3,472,150</b>	<b>1,664,998</b>	<b>(1,807,152)</b>
<b>EXPENDITURES:</b>				
Other services and charges	163,904	163,904	141,403	22,501
Capital outlays	3,198,197	3,198,197	1,420,586	1,777,611
<b>Total expenditures</b>	<b>3,362,101</b>	<b>3,362,101</b>	<b>1,561,989</b>	<b>1,800,112</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>110,049</b>	<b>110,049</b>	<b>103,009</b>	<b>(7,040)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out)	(101,346)	(101,346)	(101,346)	0
<b>Total other financing sources (uses):</b>	<b>(101,346)</b>	<b>(101,346)</b>	<b>(101,346)</b>	<b>0</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ 8,703</b>	<b>8,703</b>	<b>1,663</b>	<b>(7,040)</b>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Expenditures charged to designated funds			228,254	
Net change in Fund Balances - GAAP Basis			229,917	
Fund balances, October 1			(1,624,408)	
Prior period adjustment			304,039	
Fund balance, October 1 as restated			(1,320,369)	
Fund balances, September 30			(1,090,452)	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
For the Year Ended September 30, 2008

Notes to the Required Supplemental Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

These differences have been reconciled at the end of each fund's comparison.

D. Excess of Actual Expenditures Over Budget in Individual Funds.

There were no funds with actual expenditures over budget.

E. Unbudgeted Funds.

There were no unbudgeted funds.

CITY OF CLEVELAND, MISSISSIPPI

OTHER SUPPLEMENTAL INFORMATION

CITY OF CLEVELAND, MISSISSIPPI  
 RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS- 2007 TAX ROLLS  
 For the Fiscal Year Ended September 30, 2008

	Assessed Valuation	Tax	
<u>Assessments - 2007 Tax Rolls</u>		<u>Ad Valorem</u>	
Realty	\$ 63,572,390		
Personalty	9,705,900		
Auto and Mobile Home	13,289,295		
Public Utility	<u>3,330,677</u>		
 Total Assessed Valuation	 \$ <u>89,898,262</u>		
 Total Ad Valorem Tax @ 37 Mills		\$ 3,326,236	
 Less: Homestead Exemption Credit			<u>222,739</u>
 Net Ad Valorem Taxes			\$ 3,103,497
 Other Collections:			
Actual Homestead Reimbursements			180,173
Prior Year Tax Collections			46,312
Penalties and Interest on Delinquent Taxes			63,189
 Deductions:			
Bolivar County Tax Collector's Commission			<u>(24,911)</u>
 <b>Total Ad Valorem Taxes to be Accounted For</b>			 <b>\$ <u>3,368,260</u></b>
 Collections:			
Allocated to:		<u>Taxes</u>	<u>Homestead</u>
General Fund	\$ 1,726,338	97,391	\$ 1,823,729
Park Fund	145,454	8,522	153,976
Library Fund	227,152	13,391	240,543
Debt Service Fund	<u>1,037,220</u>	<u>60,869</u>	<u>1,098,089</u>
Totals	<u>\$ 3,136,164</u>	<u>\$ 180,173</u>	<u>3,316,337</u>
 Balance Represented by:			
Unpaid Realty			43,162
Unaccounted for - Under (Over) Collected			<u>8,761</u>
 <b>Total Ad Valorem Taxes Accounted For</b>			 <b>\$ <u>3,368,260</u></b>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS - 2007 TAX ROLLS  
 For the Fiscal Year Ended September 30, 2008

Tax millage levies for the current fiscal year (tax year 2007) were as follows:

Fund	Millage	
General	20.00	General
Parks	1.75	Park maintenance
Library	2.75	Library maintenance
Bond & Interest	12.50	Debt service
<b>Total</b>	<b>37.00</b>	

Ad valorem tax collections were found to be in excess of the limitations of Sections 27-39-320 to 27-39-329, Miss. Code Ann. (1972), as follows:

\$ 3,254,047	Base 2006 - 2007	\$ 3,136,164	Taxes collected 2007 - 2008
		16,395	Less: Exempted Amounts (New Value)
1,086,549	Less: Applicable to Debt Service	1,037,220	Less: Applicable to Debt Service
2,167,498		2,082,549	
216,750	10% Increase	180,173	Homestead Exemption 2006 - 2007
		60,869	Less: Applicable to Debt Service
		119,304	
		182,395	Under (Over) Limitation
\$ 2,384,248		\$ 2,384,248	

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
SCHEDULES OF CERTIFICATES OF DEPOSIT  
September 30, 2008

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT:

<u>Institution</u>	<u>Date Purchased</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost</u>
Planters Bank & Trust	7/31/2008	10/31/2008	1.780%	\$ 5,500,000
Planters Bank & Trust	8/31/2008	11/30/2008	1.810%	1,070,000
Planters Bank & Trust	9/30/2008	12/31/2008	0.720%	<u>3,830,000</u>
Totals				<u>\$ 10,400,000</u>

SCHEDULE OF POOLED CERTIFICATES OF DEPOSIT BY FUND:

**GENERAL FUNDS:**

General Fund \$ 1,500,000

**SPECIAL REVENUE FUNDS:**

Park Commission Fund 85,000  
 Crime Prevention and Drug Education Fund 20,000  
 Animal Shelter Fund 15,000  
 Library Fund 25,000  
 Fire Protection Fund 300,000  
 Economic Development Fund 1,400,000  
 Sanitation Fund 460,000  
 Community Development Fund 40,000  
 Home Program Fund 35,000

**PROPRIETARY FUNDS**

Water & Sewer Utility Fund 2,525,000

**DEBT SERVICE FUNDS**

General Obligation Bond and Interest Fund 1,225,000

**CAPITAL PROJECTS FUNDS:**

Infrastructure Capital Fund 650,000  
 General Capital Fund 85,000  
 Economic Development Capital Fund 1,350,000  
 Water and Sewer Capital Fund 65,000  
 Restricted Fund 560,000

**TRUST & AGENCY FUNDS**

Unemployment Compensation Fund 60,000  
 \$ 10,400,000

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
SCHEDULE OF MONTHLY BOND AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS  
September 30, 2008

Monthly Bond and Interest Requirements - General Obligation Bond and Interest Fund  
For the Year Ended September 30, 2009

<u>Date of Issue</u>	<u>Description</u>	<u>Average Rate</u>	<u>Due Date</u>	<u>Where Payable</u>	<u>Total Payable</u>	<u>Total Principal</u>	<u>Total Interest</u>
<u>February - 2009</u>							
11/19/99	Public Improvement Bond	5.493%	03/01/09	Trustmark National Bank	\$ 66,690	65,000	1,690
06/01/00	Public Improvement Bond	5.900%	03/01/09	Trustmark National Bank	90,015	85,000	5,015
06/01/01	Public Improvement Bond	3.775%	03/01/09	Trustmark National Bank	69,095	65,000	4,095
06/01/02	Public Improvement Bond	3.775%	03/01/09	Trustmark National Bank	87,200	80,000	7,200
05/01/03	Public Improvement Bond	3.122%	03/01/09	Trustmark National Bank	119,075	110,000	9,075
03/01/04	Public Improvement Bond	2.834%	03/01/09	Trustmark National Bank	152,330	140,000	12,330
05/01/05	Public Improvement Bond	3.750%	03/01/09	Trustmark National Bank	124,438	110,000	14,438
05/01/06	Public Improvement Bond	4.173%	03/01/09	Trustmark National Bank	128,763	110,000	18,763
03/01/07	Public Improvement Bond	3.797%	03/01/09	Trustmark National Bank	129,244	110,000	19,244
12/28/06	General Obligation, Series 2006	6.344%	11/01/08	First National Bank	78,231	45,000	33,231
Total - February - 2008					<u>1,045,081</u>	<u>920,000</u>	<u>125,081</u>
<u>August - 2009</u>							
11/19/99	Public Improvement Bond	5.493%	09/01/09	Trustmark National Bank	0		0
06/01/00	Public Improvement Bond	5.900%	09/01/09	Trustmark National Bank	2,508		2,508
06/01/01	Public Improvement Bond	3.775%	09/01/09	Trustmark National Bank	2,779		2,779
06/01/02	Public Improvement Bond	3.775%	09/01/09	Trustmark National Bank	5,460		5,460
05/01/03	Public Improvement Bond	3.122%	09/01/09	Trustmark National Bank	7,563		7,563
03/01/04	Public Improvement Bond	2.834%	09/01/09	Trustmark National Bank	10,370		10,370
05/01/05	Public Improvement Bond	3.750%	09/01/09	Trustmark National Bank	12,375		12,375
05/01/06	Public Improvement Bond	4.173%	09/01/09	Trustmark National Bank	16,150		16,150
03/01/07	Public Improvement Bond	3.797%	09/01/09	Trustmark National Bank	17,209		17,209
12/28/06	General Obligation, Series 2006	6.344%	05/01/09	First National Bank	31,319		31,319
Total - August - 2008					<u>105,733</u>	<u>0</u>	<u>105,733</u>
Grand Totals - General Obligation Bonds					<u>\$ 1,150,814</u>	<u>920,000</u>	<u>230,814</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
SCHEDULE OF LONG-TERM DEBT  
For the Fiscal Year Ended September 30, 2008

Date of Issue	Description	Balance Outstanding 10/01/07	Issued	Redeemed	Balance Outstanding 09/30/08
<b><u>GENERAL OBLIGATION BONDS</u></b>					
09/29/98	Public Improvement Bond	\$ 45,000		45,000	0
11/19/99	Public Improvement Bond	130,000		65,000	65,000
06/01/00	Public Improvement Bond	255,000		85,000	170,000
06/01/01	Public Improvement Bond	260,000		65,000	195,000
06/01/02	Public Improvement Bond	400,000		80,000	320,000
05/01/03	Public Improvement Bond	660,000		110,000	550,000
03/01/04	Public Improvement Bond	985,000		135,000	850,000
05/01/05	Public Improvement Bond	880,000		110,000	770,000
05/01/06	Public Improvement Bond	1,000,000		110,000	890,000
12/28/06	General Obligation, Series 2006	1,130,000		110,000	1,020,000
03/01/07	Public Improvement Bond	1,035,000		45,000	990,000
	Total General Obligation Bonds	<u>6,780,000</u>	<u>0</u>	<u>960,000</u>	<u>5,820,000</u>
<b><u>INDUSTRIAL REVENUE BONDS</u></b>					
07/01/78	Baxter Laboratories	330,000		330,000	0
	Total Industrial Revenue Bonds	<u>330,000</u>	<u>0</u>	<u>330,000</u>	<u>0</u>
<b><u>OTHER DEBT ISSUED</u></b>					
08/01/98	MDA - Capital Improvements	70,804		11,225	59,579
08/01/03	MDEQ - Capital Improvements	1,570,945		87,398	1,483,547
08/01/03	MDA - RLF Financing (City Faurecia)	609,940		43,642	566,298
08/01/03	MDA - RLF Financing (County Faurecia)	609,940		43,642	566,298
09/25/03	MDEQ - Capital Improvements	1,371,760		69,900	1,301,860
04/21/06	MDEQ - Capital Improvements	1,145,439		52,251	1,093,188
10/14/05	MDEQ - Capital Improvements	1,668,247		66,879	1,601,368
08/25/06	MDEQ - Capital Improvements	95,583	554,298		649,881
01/06/05	Cleveland State Bank (Capital Lease)	12,059		12,059	0
08/10/06	Cleveland State Bank (Capital Lease)	65,417		36,892	28,525
07/01/08	Cleveland State Bank (Street Sweeper Lease)		177,025	8,924	168,101
	Total State of Mississippi Notes	<u>7,220,134</u>	<u>731,323</u>	<u>432,812</u>	<u>7,518,645</u>
	Grand Total	<u>\$ 14,330,134</u>	<u>731,323</u>	<u>1,722,812</u>	<u>13,338,645</u>

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 SCHEDULE OF SURETY BONDS  
 September 30, 2008

Insurance Agent of Record - Bolivar Insurance Agency, Inc.

Coverage	Amounts Or Limits	Term In Years	Expires	Company	Comments
Alton Vance	25,000	1	Aug-09	St. Paul	Airport Manager
Barbara Robinson	25,000	1	Aug-09	St. Paul	Secretary - Parks/Rec.
Betha Watson	25,000	1	Jul-09	St. Paul	Payroll Clerk
Billy Trotter	25,000	1	Mar-09	St. Paul	Public Works Clerk
Brandy Murphy	25,000	1	Aug-09	St. Paul	Public Works Clerk
Brett Moorman	25,000	1	Aug-09	St. Paul	Public Works Director
Charles Bingham	25,000	1	Aug-09	St. Paul	Police Chief
Cynthia Peterson	25,000	1	Mar-09	St. Paul	Administrative Assistant
Gene Bishop	25,000	1	Aug-09	St. Paul	Fire Inspector
Greg Korb	25,000	1	Aug-09	St. Paul	Engineer
Hope Johnson	25,000	1	Mar-09	St. Paul	Water Clerk
Jamie Jacks	25,000	1	Jul-09	St. Paul	Attorney
Kimberly Hudson	25,000	1	Aug-09	St. Paul	Public Works Clerk
Loretta Ford	25,000	1	Aug-09	St. Paul	Director - Animal Shelter
Marilyn D. Adams	25,000	1	Aug-09	St. Paul	Water Dept. Supervisor
Mark Ponder	25,000	1	Aug-09	St. Paul	Mosquito Control
Michele Hamilton	25,000	1	Mar-09	St. Paul	Court Clerk
Misty Wilson	25,000	1	Aug-09	St. Paul	Court Clerk
Patsy Lawson	25,000	1	Aug-09	St. Paul	Court Clerk
Samantha Franklin	25,000	1	Aug-09	St. Paul	Water Dept. Clerk
Steven Glorioso	25,000	1	Aug-09	St. Paul	Superintendent - Parks/Rec.
David Work	65,000	4	Jul-09	Brierfield	Mayor
John Lindsey	65,000	1	Feb-09	St. Paul	Chief Administrative Officer
Linda Brown	65,000	1	Aug-09	St. Paul	Deputy Clerk
Wendy McClain	75,000	1	Aug-09	St. Paul	City Clerk
Billy Nowell	100,000	4	Jul-09	Brierfield	Alderman - Ward 3
Gary Gainspoletti	100,000	4	Jul-09	Brierfield	Alderman - At - Large
Maurice Smith	100,000	4	Jul-09	Brierfield	Alderman - Ward 1
Norman Burke, Jr.	100,000	4	Jul-09	Brierfield	Alderman - Ward 2
Paul Janoush	100,000	4	Jul-09	Brierfield	Alderman - Ward 5
Theodore R. Campbell	100,000	4	Jul-09	Brierfield	Alderman - Ward 6
Willard R. Samuels, Jr.	100,000	4	Jul-09	Brierfield	Alderman - Ward 4

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Fiscal Year Ended September 30, 2008

Federal Agency / Pass-Through Entity / Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U. S. Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106	3-28-0015-013-2007	\$ 241,227
Environmental Protection Agency Pass-through Mississippi Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280809-04	<u>520,404</u>
Grand Total			\$ <u><u>761,631</u></u>

See accompanying notes to financial statements.

**CITY OF CLEVELAND, MISSISSIPPI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended September 30, 2008**

**NOTE A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the grant activity of the City of Cleveland, Mississippi and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the governmental fund financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 GENERAL BOND AND INTEREST FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL (NON-GAAP BASIS)  
 For the Fiscal Year Ended September 30, 2008

	9/30/2008			
	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b><u>REVENUES:</u></b>				
Taxes	\$ 1,121,783	1,121,783	1,097,644	(24,139)
Interest Income	78,475	78,475	61,505	(16,970)
<b>Total revenues</b>	<b>1,200,258</b>	<b>1,200,258</b>	<b>1,159,149</b>	<b>(41,109)</b>
<b><u>EXPENDITURES:</u></b>				
Debt service	2,036,214	2,053,014	2,024,275	28,739
Total debt service	2,036,214	2,053,014	2,024,275	28,739
<b>Total Expenditures</b>	<b>2,036,214</b>	<b>2,053,014</b>	<b>2,024,275</b>	<b>28,739</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(835,956)</b>	<b>(852,756)</b>	<b>(865,126)</b>	<b>(69,848)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (835,956)</b>	<b>(852,756)</b>	<b>(865,126)</b>	<b>(69,848)</b>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>				
Revenue and other sources credited to designated funds			(8,726)	
Expenditures charged to designated funds				
Net change in Fund Balances - GAAP Basis			(873,852)	
Fund balances, October 1			2,155,552	
Fund balances, September 30			<u>1,281,700</u>	

CITY OF CLEVELAND, MISSISSIPPI

STATISTICAL INFORMATION

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

Fiscal Year	Taxes	Licenses and Permits	(1)					Miscellaneous		Total
			Intergovernmental	Charges for Services	Fines and Forfeits	Operating	Non-Operating	Operating	Non-Operating	
1999 \$	1,714,598	364,735	4,444,335	1,699,299	378,230	745,391	1,040,420	10,387,008		
2000	1,772,142	391,651	4,279,908	2,504,134	334,810	928,464	1,094,406	11,305,515		
2001	1,903,708	419,724	4,411,796	717,011	363,909	888,134	504,375	9,208,657		
2002	1,989,911	453,522	4,950,801	703,979	321,652	657,248	482,985	9,560,098		
2003	2,168,325	505,145	5,200,230	718,753	317,065	895,975	463,645	10,269,138		
2004	2,219,717	523,869	5,079,542	826,867	275,207	805,094	451,945	10,182,241		
2005	2,276,915	562,176	6,493,928	696,663	347,019	701,224	666,385	11,744,310		
2006	2,390,655	628,911	5,446,777	542,489	526,676	811,559	645,925	10,992,992		
2007	3,044,352	551,935	10,119,304	1,380,278	443,128	454,349	1,088,964	17,082,310		
2008	3,072,979	576,794	6,592,328	1,597,921	367,369	428,186	852,864	13,488,441		

(1) Water and sewer was converted to an enterprise fund beginning with fiscal year 2001.

See accompanying notes to financial statements.

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

Fiscal Year	(1)										(2)		
	General Government	Public Safety	Public Works	Highways and Streets	Health and Sanitation	Shop Department	Education and Recreation	Economic and Community Development	Capital Projects	Debt Service	Total		
1999 \$	1,096,809	2,354,055	1,392,523	606,226	723,639	68,117	585,587	236,937	1,623,899	1,571,154	10,258,946		
2000	1,095,954	2,443,575	1,463,251	692,089	817,526	71,613	716,395	129,931	1,542,552	1,868,479	10,841,365		
2001	1,203,947	2,520,993	432,167	751,526	804,654	80,758	746,556	105,000	1,148,637	1,341,960	9,136,198		
2002	1,319,154	2,703,114	486,087	826,044	869,673	77,358	768,996	190,000	1,097,837	1,329,355	9,667,618		
2003	1,209,800	3,848,277	428,366	857,369	871,175	122,480	696,528	354,891	1,530,179	2,798,347	12,717,412		
2004	1,174,147	3,073,973	467,530	835,476	852,129	93,806	761,842	3,713,950	2,933,693	1,260,308	15,166,854		
2005	1,042,967	3,519,226	478,712	819,215	929,580	111,704	796,719	1,335,002	3,500,318	1,394,186	13,927,629		
2006	1,078,977	3,813,984	808,449	1,346,786	1,141,386	98,806	843,848	373,609	1,645,002	1,472,010	12,622,857		
2007	1,305,441	3,329,556	623,039	1,816,697	1,151,741	102,973	940,943	393,205	6,585,219	1,620,539	17,869,353		
2008	1,189,489	3,761,879	709,770	1,690,601	1,292,494	109,574	1,105,603	452,682	1,953,008	2,700,166	14,965,266		

(1) Water and sewer was converted to an enterprise fund beginning with fiscal year 2001.

(2) Principal and interest on both general obligation and industrial revenue bonds and notes payable to state of Mississippi (Mississippi Development Authority).

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levied</u>	<u>Current Tax Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collected</u>	<u>Total Tax Collected</u>	<u>Ratio of Total Tax Collected to Total Tax Levied</u>
1999 \$	1,843,660	1,808,101	98.07%	12,862	1,820,963	98.77%
2000	1,919,681	1,861,814	96.99%	21,432	1,883,246	98.10%
2001	2,061,468	2,026,943	98.33%	14,645	2,041,588	99.04%
2002	2,136,616	2,079,380	97.32%	16,270	2,095,650	98.08%
2003	2,328,854	2,232,456	95.86%	40,832	2,273,288	97.61%
2004	2,379,027	2,316,692	97.38%	45,014	2,361,706	99.27%
2005	2,443,410	2,360,006	96.59%	36,527	2,396,533	98.08%
2006	2,701,179	2,613,734	96.76%	41,319	2,655,053	98.29%
2007	3,311,431	3,167,821	95.66%	51,800	3,219,621	97.23%
2008	3,326,236	3,206,836	96.41%	63,189	3,270,025	98.31%

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 ASSESSED VALUE OF TAXABLE PROPERTY  
 Last Ten Fiscal Years

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Motor Vehicle Assessed Value	Public Utilities Assessed Value	Total Assessed Value
1999 \$	32,651,556	6,348,879	12,167,385	3,057,477	54,225,297
2000	33,579,812	7,208,671	12,574,871	3,097,864	56,461,218
2001	36,136,294	8,591,721	12,793,460	3,109,928	60,631,403
2002	37,347,252	9,147,628	13,220,429	3,126,328	62,841,637
2003	42,880,270	9,107,581	13,331,019	3,176,839	68,495,709
2004	44,597,437	8,890,593	13,251,108	3,232,232	69,971,370
2005	45,701,906	8,996,003	13,554,479	3,318,498	71,570,886
2006	47,821,369	8,970,980	12,702,865	3,509,612	73,004,826
2007	63,032,452	10,392,286	12,674,700	3,398,694	89,498,132
2008	63,572,390	9,705,900	13,289,295	3,300,677	89,868,262

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
PROPERTY TAX RATES  
Last Ten Fiscal Years

Fiscal Year	General Fund Millage	Library Fund Millage	Park Fund Millage	Debt Service Millage	Total Millage
1999	15.00	2.00	2.00	15.00	34.00
2000	15.00	2.00	2.00	15.00	34.00
2001	15.00	3.00	2.00	14.00	34.00
2002	17.00	3.00	2.00	12.00	34.00
2003	17.00	3.00	2.00	12.00	34.00
2004	19.00	3.00	2.00	10.00	34.00
2005	19.00	3.00	2.00	10.00	34.00
2006	22.00	3.00	2.00	10.00	37.00
2007	20.00	2.75	1.75	12.50	37.00
2008	20.00	2.75	1.75	12.50	37.00

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>
1999	\$ 14,476	11,900
2000	2,436	2,576
2001	0	2,436
2002	4,595	4,595
2003	105	105
2004	0	0
2005	0	0
2006	26,354	13,303
2007	61,076	23,379
2008	44,753	3,414

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 COMPUTATION OF LEGAL DEBT MARGIN  
 For the Fiscal Year Ended September 30, 2008

Date of Issue	Description	Total Outstanding G/O Debt	Bonds Subject To 15% Limitation	Bonds Subject To 20% Limitation
<b><u>OUTSTANDING GENERAL OBLIGATION DEBT:</u></b>				
09/01/99	Public Improvement Bond	\$ 65,000	65,000	65,000
06/01/00	Public Improvement Bond	170,000	170,000	170,000
06/01/01	Public Improvement Bond	195,000	195,000	195,000
06/01/02	Public Improvement Bond	320,000	320,000	320,000
05/01/03	Public Improvement Bond	550,000	550,000	550,000
03/01/04	Public Improvement Bond	850,000	850,000	850,000
05/01/05	Public Improvement Bond	770,000	770,000	770,000
05/01/06	Public Improvement Bond	890,000	890,000	890,000
03/01/07	Public Improvement Bond	1,020,000	1,020,000	1,020,000
05/01/06	General Obligation-Baxter Bond	990,000	990,000	990,000
	Total Outstanding General Obligation Debt	\$ <u>5,820,000</u>	<u>5,820,000</u>	<u>5,820,000</u>

**AUTHORIZED DEBT LIMIT:**

Assessed Value for the fiscal year ended September 30, 2008	\$ 89,868,262	\$ 13,480,239	17,973,652
Present Debt (Subject to 15% and 20% Limitation, respectively)		<u>5,820,000</u>	<u>5,820,000</u>
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		<u>\$ 7,660,239</u>	<u>12,153,652</u>

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

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore, or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE  
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
Last Ten Fiscal Years

Fiscal Year	Population	Total Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1999	15,384	54,225,297	4,015,000	1,597,399	2,417,601	4.46%	157.15
2000	13,841	56,461,218	4,915,000	1,927,764	2,987,236	5.29%	215.83
2001	13,841	60,631,403	4,900,000	2,197,724	2,702,276	4.46%	195.24
2002	13,841	62,841,637	5,025,000	2,314,832	2,710,168	4.31%	195.81
2003	13,841	68,495,709	3,930,000	2,437,755	1,492,245	2.18%	107.81
2004	13,841	69,971,370	4,705,000	2,237,280	2,467,720	3.53%	178.29
2005	13,841	71,570,886	5,130,000	2,139,617	2,990,383	4.18%	216.05
2006	13,841	73,004,826	5,485,000	2,052,146	3,432,854	4.70%	248.02
2007	13,841	89,498,132	6,780,000	2,155,552	4,624,448	5.17%	334.11
2008	13,841	89,868,262	5,820,000	1,283,414	4,536,586	5.05%	327.76

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION  
BONDED DEBT TO TOTAL GOVERNMENTAL EXPENDITURES  
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Governmental Expenditures
1999 \$	430,000	109,444	539,444	8,553,673	6.31%
2000	600,000	170,644	770,644	9,298,664	8.29%
2001	655,000	184,588	839,588	9,175,082	9.15%
2002	665,000	193,445	858,445	8,569,781	10.02%
2003	2,155,000	183,597	2,338,597	12,717,412	18.39%
2004	605,000	170,644	775,644	15,166,854	5.11%
2005	675,000	176,937	851,937	13,927,629	6.12%
2006	755,000	193,853	948,853	12,622,857	7.52%
2007	870,000	222,475	1,092,475	17,869,353	6.11%
2008	960,000	294,166	1,254,166	14,965,266	8.38%

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
 GENERAL OBLIGATION BONDS  
 September 30, 2008

<u>Jurisdiction</u>	<u>Net General Obligated Bonded Debt Outstanding</u>	<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
Direct Bonded Debt:			
City of Cleveland, Mississippi	\$ 4,536,586	100.00%	\$ 4,536,586
Overlapping Bonded Debt:			
Bolivar County, Mississippi	<u>11,877,743 (1)</u>	32.91% (2)	<u>3,908,965</u>
Total	<u>\$ 16,414,329</u>		<u>\$ 8,445,551</u>

(1) Information obtained from Bolivar County Chancery Clerk.

(2) Applicable percentage based on total assessed valuation of taxable property in Bolivar County of \$273,079,203 (1) to \$89,868,262 in City of Cleveland.

See accompanying notes to financial statements.

CITY OF CLEVELAND, MISSISSIPPI

REPORTS SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cleveland, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 08-1, 08-2, and 08-3 to be significant deficiencies in internal control over financial reporting.

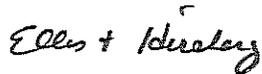
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are not material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 are required to be reported under *Government Auditing Standards*.

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



May 22, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Cleveland, Mississippi, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City of Cleveland, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Cleveland, Mississippi's management. Our responsibility is to express an opinion on the City of Cleveland, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Cleveland, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cleveland, Mississippi's compliance with those requirements.

In our opinion, the City of Cleveland, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

## Internal Control Over Compliance

The management of the City of Cleveland, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Cleveland, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Ellis & Hurst*

May 22, 2009

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH STATE LAWS AND REGULATIONS**

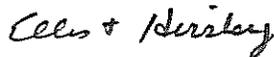
Honorable Mayor and Board of Aldermen  
City of Cleveland  
Cleveland, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Mississippi, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated May 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of any opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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



May 22, 2009

CITY OF CLEVELAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the primary governments financial statements.          | Unqualified |
| 2. | Internal control over financial reporting:  |             |
|    | a. Material weakness identified?  | No          |
|    | b. Significant deficiencies identified that are not considered to be a material weakness? | Yes         |
| 3. | Material noncompliance relating to the primary government financial statements?           | No          |

**Federal Awards:**

- |     |  |               |
|-----|--|---------------|
| 4.  | Internal control over major programs:  |               |
|     | a. Material weaknesses indentified?  | No            |
|     | b. Significant deficiency identified that is not considered to be a material weakness?   | None Reported |
| 5.  | Type of auditors' report issued on compliance for major federal programs:  | Unqualified   |
| 6.  | Any audit findings reported as required by Section __.510(a) of Circular A-133?  | No            |
| 7.  | Federal programs identified as major programs:   |               |
|     | a. Capitalization Grants for Clean Water State Revolving Funds CFDA# 66.458  |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?   | No            |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes           |

## Section 2: Financial Statement Findings

### Significant Deficiencies

#### 08-1 Finding

##### Criteria

Assigning responsibility among different people for authorizing transactions, recording transactions and maintaining custody of assets reduces the opportunities for any one person to be in a position to both perpetrate and conceal errors or fraud in the normal course of performing his or her duties.

##### Condition

One person has been assigned the responsibility for preparing deposit slips, making deposits and recording the transaction.

##### Cause

The cause cannot readily be determined.

##### Effect

The effect is an increase in fraud risk by allowing one person to have custody of assets as well as being able to record transactions.

##### Recommendation

An individual with no access to the general ledger should prepare deposit slips and make the deposits.

#### 08-2 Finding

##### Criteria

An underlying concept in accounting involves control accounts and supporting ledgers or other detail which will add back to the control account on the general ledger.

##### Condition

The City's water and sewer software is now capable of producing a listing of customer deposits. This listing should be periodically balanced back to the City's general ledger account for customer deposits. An initial adjustment to the City's general ledger account will be necessary to balance to the detail.

##### Cause

An underlying cause was the inability in previous years to generate a detail customer deposit listing from the software.

##### Effect

The effect could result in the inability to catch an error or fraud on a timely basis.

Recommendation

Once the initial adjustment is made to balance the general ledger account to the detail, the detail listing should be compared to the general ledger account on a periodic basis. Any differences should be adjusted or followed up on as deemed appropriate by management.

08-3 Finding

Criteria

Governments typically have bank accounts which serve as clearing accounts for specific types of transactions. Typically these will involve payroll or accounts payable. Generally only the amount necessary to cover a specific group of transactions is transferred into the account.

Condition

The payroll account appears to have an excessive cash balance.

Cause

The balance appears to have built up over a period of years. The City has had some personnel changes over that period of time which could have lead to the condition.

Effect

An excess amount of cash in the payroll account could lead to a cash shortage in other accounts. The excess of cash in the payroll account may not be taken into consideration when budgets are prepared or could cause errors in budgeting future cash needs.

Recommendation

Any excess cash should be repaid to the general fund or other funds as deemed appropriate.

**Section 3: Federal Award Findings and Questioned Costs**

The results of our tests did not disclose any findings and questioned costs related to the federal awards.



# THE CITY OF CLEVELAND

CLEVELAND, MISSISSIPPI 38732

## AUDITEE'S CORRECTIVE ACTION PLAN

The City of Cleveland, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008.

DAVID WORK, SR.  
MAYOR

WENDY McCLAIN  
CITY CLERK

### Finding

### Corrective Action Plan Detail

BOARD OF ALDERMEN:  
MAURICE SMITH  
NORMAN BURKE, JR.  
TED CAMPBELL  
BILLY NOWELL  
WILLARD SAMUELS  
PAUL JANOUSH  
GARY GAINSPOLETTI

08-1

a. Name of contact person responsible for corrective action:

Name: Wendy McClain  
Title: City Clerk  
Phone: 662-846-1471

b. Corrective Action Planned:

Duties regarding custody of assets and recording transactions will be reviewed.

OFFICERS:  
JOHN LINDSEY  
CAO

DREW WARREN  
CHIEF OF POLICE

c. Anticipated Completion Date:

June 2009

JOHN W. VALENTINE  
CITY ATTORNEY

BRETT MOORMAN  
DIRECTOR OF  
PUBLIC WORKS

08-2

a. Name of contact person responsible for corrective action:

Name: Wendy McClain  
Title: City Clerk  
Phone: 662-846-1471

b. Corrective Action Planned:

The general ledger balance will be adjusted to the detail and periodic reconciliations will be performed.

QUINTON STEEN  
DIRECTOR OF  
PARKS & RECREATION

GREG KORB  
CITY ENGINEER

c. Anticipated Completion Date:

June 2009

08-3

a. Name of contact person responsible for corrective action:

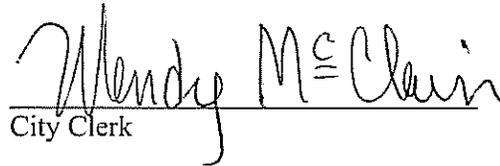
Name: Wendy McClain  
Title: City Clerk  
Phone: 662-846-1471

b. Corrective Action Planned:

The payroll cash balance will be reviewed. Any excess cash can be expected to be returned to the appropriate fund.

c. Anticipated Completion Date:

June 2009

  
City Clerk



**THE CITY OF CLEVELAND**  
CLEVELAND, MISSISSIPPI 38732

**SUMMARY OF PRIOR AUDIT FINDINGS**

DAVID WORK, SR.  
MAYOR

WENDY McCLAIN  
CITY CLERK

BOARD OF ALDERMEN:  
MAURICE SMITH  
NORMAN BURKE, JR.  
TED CAMPBELL  
BILLY NOWELL  
WILLARD SAMUELS  
PAUL JANOUSH  
GARY GAINSOLETTI

OFFICERS:  
JOHN LINDSEY  
CAO

DREW WARREN  
CHIEF OF POLICE

JOHN W. VALENTINE  
CITY ATTORNEY

BRETT MOORMAN  
DIRECTOR OF  
PUBLIC WORKS

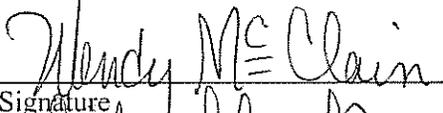
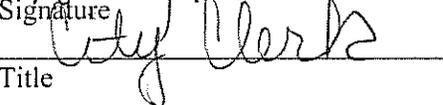
QUINTON STEEN  
DIRECTOR OF  
PARKS & RECREATION

GREG KORB  
CITY ENGINEER

As required by Section .315(b) of OMB Circular A-133, the City of Cleveland, Mississippi has prepared and hereby submits the following Schedule of Prior Audit Findings as of September 30, 2008.

Finding

07-4                      The finding has been corrected.

  
\_\_\_\_\_  
Signature  
  
\_\_\_\_\_  
Title